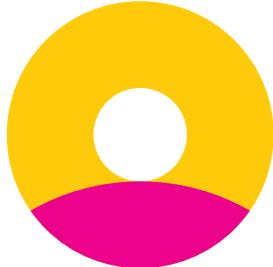


# CPP Group

Annual Report & Accounts 2016

# Meet the new CPP



CPP is evolving to meet the changing needs of today's consumers.

We've taken all that's best from over thirty years of helping customers and used it as a bedrock for far-reaching future ambitions. By doing so, we aim to build a brand that will serve people for another 30 years and beyond.

It goes much deeper than just a new look and feel. At its heart is the core idea that drives everything we do, giving us an even stronger direction, purpose and identity.

It means our focus is on creating fresh products and services that give people the freedom and confidence to thrive in an increasingly connected world, because at CPP we believe positivity creates possibilities. By sharing that belief, we're on a mission to inspire people to say yes to life's opportunities.



Read about our customers  
pages 16 and 17

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# Highlights

## Financial highlights

### Revenue (continuing operations)

£73.6m



### Underlying operating profit<sup>1</sup> (continuing operations)

£8.4m



Reported profit/(loss) for the year<sup>2</sup>  
(continuing & discontinued operations)

£0.0m



### Basic (loss)/earnings per share (continuing operations)

(0.06)p



### Net assets/(liabilities)

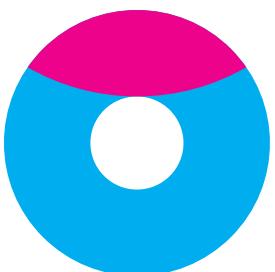
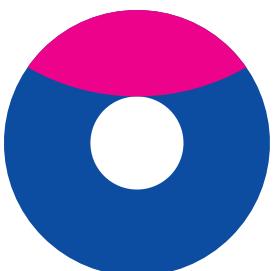
£10.1m



1. Underlying operating profit excludes exceptional items and Matching Share Plan charges.
2. Reported profit for the year in 2015 includes a one-time gain of £19.4 million from the compromise of the Commission Deferral Agreement.

## Operational highlights

- Clear strategic priorities identified to drive sustainable focused growth.
- Live policy base has returned to growth at 4.3 million representing a growth in customer numbers for the first time in five years.
- Revenue in our international markets has grown 33% to £44.9 million. This includes revenue from India which has more than doubled to £15.2 million.
- New product development continues to progress – OwlDetect, our new global cybersecurity proposition, was launched in the UK and Germany; with other markets to follow in 2017.
- Proactive cost management initiatives including:
  - ceasing development of our IT platform with SSP Limited in favour of developing a more cost-effective, flexible in-house platform; and
  - reorganisation of the senior management team to drive greater focus and delivery.



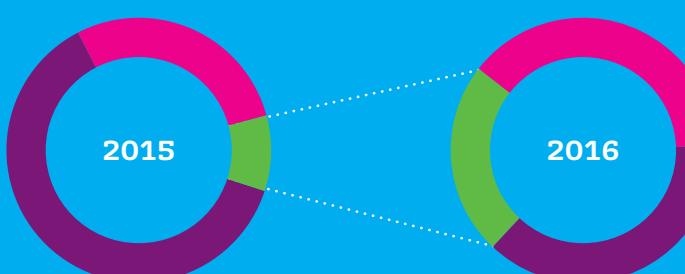
# At a glance

CPP is a global business that has made good progress in the year. Our developing markets, such as India, China and Turkey have grown revenue and increased customer numbers, whilst the established markets, such as the UK, Spain and Italy have improved renewal rates.

Our Asia Pacific region has grown revenue significantly and has accelerated a shift in the Group's revenue profile from the established markets to our developing markets. It is these markets in which we will focus our resources to seize the substantial opportunities that exist.



## Group revenue<sup>1</sup>



UK & Ireland (2015: £43.0m)	£28.8m
Europe & Latin America (2015: £25.5m)	£27.6m
Asia Pacific (2015: £8.3m)	£17.3m

1. From continuing operations only.

**74.9%**

Annual renewal rate

**4.3m**

Live policies worldwide

**>650**

Employees worldwide

**>30 yrs**

Protecting customers



## Our Services

---

CPP is committed to providing customers with the tools, platforms and services that allow them to make the most of the opportunities presented by a connected world. There are three key areas where we believe we provide customer value.

### Confidence to connect

In an increasingly interconnected world your identity is your currency. Sharing your life online can unlock amazing opportunities. We are here to help everyone embrace these possibilities. Our Identity Protection product and new global service, OwlDetect, help customers get involved and share without a moment's fear.

### Freedom to explore

In our ever more mobile lives, we expect to do everything and anything on the go. That means carrying our worlds with us as we move. Our products help consumers if their cards, keys or phone are lost or stolen and we are developing new products that help make sure the things that matter in people's mobile lives are always with them, so they can get on, get ahead and get more from life.

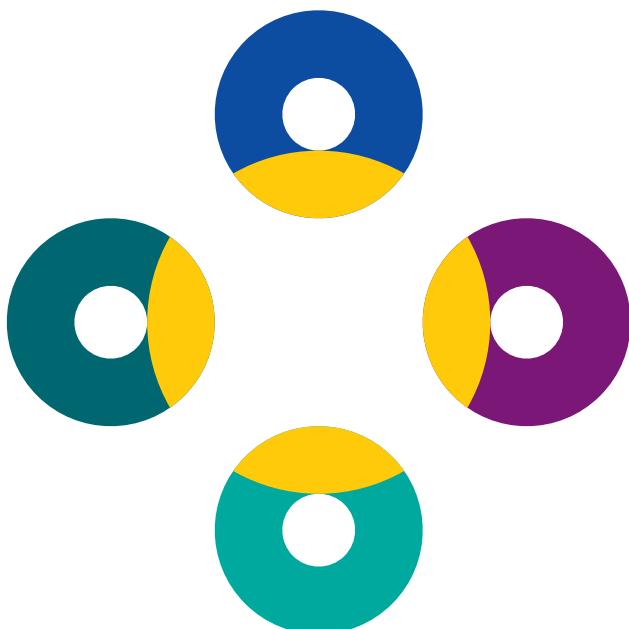
### Power to fix

In a time of ever more instant gratification, customers want things fast and simple. The complex must be compressed into moments and twists and turns transformed into straight lines. We have the experience, the scale and the passion to meet this need. It is what powers our multi-layered partnerships and it is the magic behind our problem solving mission.

# Our business model and strategy

Having made key structural and personnel changes in 2016, we continue to build the foundations for strong, sustainable commercial growth. Our business model, which has customers at its heart, targets revenue growth through sustainable renewal rates and new business development. Our business strategy has been simplified and condensed to focus on the fundamentals that will drive our ambitions for the future.

During 2016 we have continued to work through our trusted Business Partners. At the same time we have developed the capability to engage directly with customers which has required us to move into new channels, develop new propositions and utilise a new approach to marketing. Our performance goals are underpinned by three key priorities – future revenue growth, innovation and cost management. It is these fundamentals which form the basis of our strategy for 2017 and beyond and will ultimately drive a continued improvement in service for our customers.



## Growing revenue and volume

Growing revenue and volume, based on a great customer experience, is our number one priority. Focus will be placed on our developing markets, such as China, India, Mexico and Turkey where there is significant growth potential and good momentum already being experienced. Initially in our established markets such as the UK, Spain, Germany and Italy we will concentrate on managing our sizeable existing customer base while new engaging propositions are brought to market.

## Driving innovation

Driving innovation is essential for the Company's future development. Not only are we committed to investing in the development of both our existing product range and new products and services, but also to leveraging new ideas in our sales and marketing channels to improve distribution and engagement with consumers.

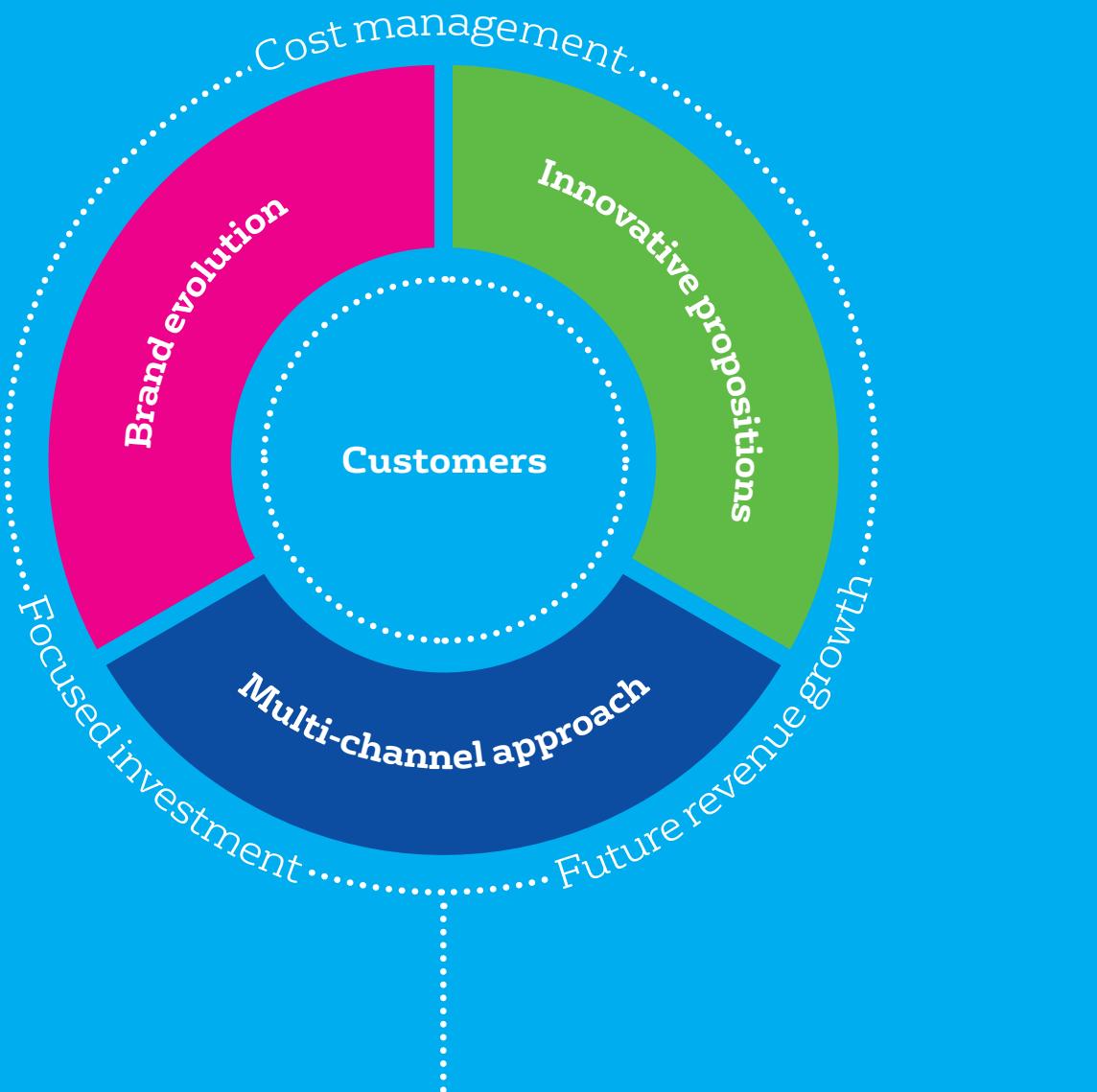
## Cost management

Continuing to focus on managing costs is a critical part of creating a sustainable, profitable organisation. It is this cost management that will help enable focused investment into our developing markets.

## Our people agenda

Our people agenda underpins our three strategic priorities, placing customers and colleagues right at the heart of our brand. We have continued the commitment to develop our people and build the bold and forward-facing culture needed to reach our goals.

## Our approach places customers at the centre of our business model



### **Innovative propositions**

Our new product development and services are inspired by our product pillars. Using research to identify key customer needs our aim is to empower and inspire our customers with simple and relevant propositions that deliver real value.

### **Multi-channel approach**

As we continue to engage new audiences with new products and services we continue to explore new channels for both communication and distribution supported by multi-channel service and support.

### **Brand evolution**

We are evolving our brand to make it more powerful and more engaging to both customers and Business Partners alike. Driven by our new purpose and belief our goal is to connect better with customers and help inspire them to say yes to life's opportunities.

# Chairman's statement



**Sir Richard Lapthorne**  
Chairman

## 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 need 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. The Board has approved this Annual Report & Accounts as being fair, balanced and understandable, providing the information necessary for shareholders to assess the Company's performance, business model and strategy.

### **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

**“Resources need to be shifted towards providing greater support to our businesses in the rapidly developing markets for our products.”**

**Sir Richard Lapthorne**



Read about our  
corporate governance  
**pages 31 to 43**

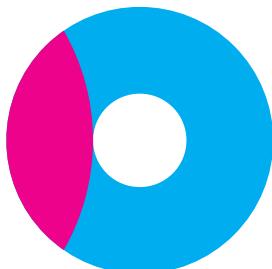
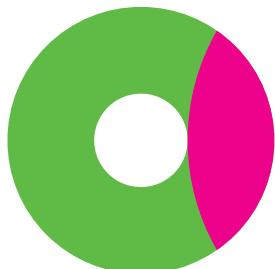
# Chief Executive Officer's statement



**Jason Walsh**  
Chief Executive Officer

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 in May 2016, 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 is 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**

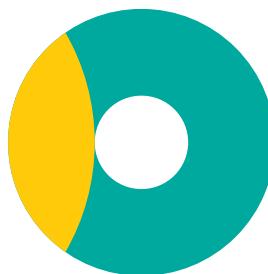
Whilst proud of our existing products we recognise the need to stay relevant in a rapidly changing world. New product development is key. We are creating a suite of products with global appeal and compatibility. These are service-based propositions that can be traded in any of our markets, including 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.

**“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.”**

**Jason Walsh**



Read about our innovation and new product development  
[pages 18 and 19](#)



# Chief Executive Officer's statement

## continued

**74.9%**

annual renewal rate

**>650**

employees  
worldwide

**4.3m**

live policies  
worldwide

### What is the plan? continued

#### Driving innovation continued

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 developing 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.

**“Whilst proud of our existing products we recognise the need to stay relevant in a rapidly changing world. New product development is key.”**

Jason Walsh

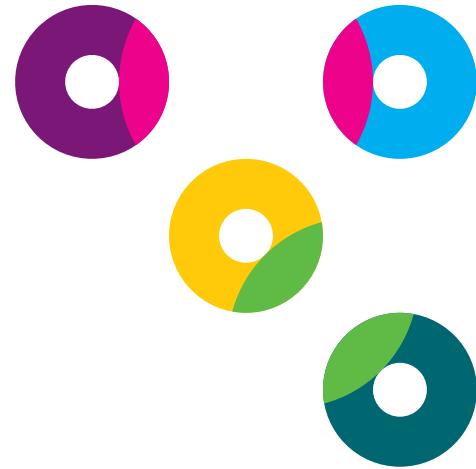


Read about our  
people agenda  
**pages 14 and 15**

## 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

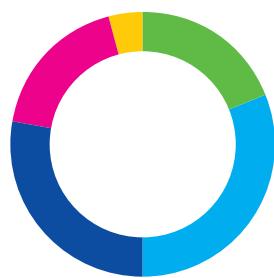


# Our people agenda

**Justine Shaw**  
People & Culture Director

Our people are the heartbeat of CPP. They are at the core of delivering our strategic priorities and ambitions. Our success depends on the energy and drive they create. That is why we have a relentless focus on our people agenda as the foundation of everything we do, based on co-created values, cultural evolution and people development. Together they provide the environment, frameworks and opportunities that enable us to reach our goals.

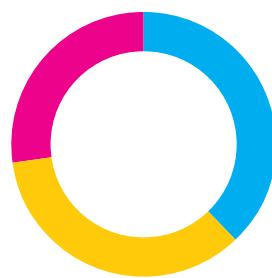
**Colleague age groups (%)**



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● 18-20	0
● 21-30	19
● 31-40	31
● 41-50	28
● 51-60	18
● 61+	4

**Length of service (%)**



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● 0-4 years	38
● 5-10 years	35
● 10+ years	27

## Doing things the right way

Significant progress was made during 2016 to establish a values driven culture across the Group. A key highlight was providing colleagues with clarity on how to align our positive co-created behaviours with our values of Commit, Collaborate and Perform. Clear direction and understanding was provided through global behaviours workshops attended by all colleagues.

A core element of our people agenda are our Great Performance Conversations. These are motivational, honest and action-orientated discussions between line managers and colleagues that set out ‘what’ colleagues are encouraged to focus on. They inspire behaviour and habits which support the delivery of our aspirations and a great customer experience, as well as providing direction on ‘how’ to live our values and behaviours on a daily basis. That’s the way we do things here at CPP.

### **Accelerating change through talented colleagues**

We recognise we must progress at pace in our core areas of focus if we are to successfully realise our ambitions. To help achieve this, in 2016 we launched a significant programme that harnessed high performing, talented colleagues from across the Group. Known as Accelerants, they role model our values and behaviours to deliver business and cultural change in priority areas. We invested in our talent through intense coaching, which developed a deep understanding of those high performance practices and techniques designed to drive change and accelerate growth. Positive impact and tangible results have been realised through the Accelerant programme, with some participants taking up new roles with greater responsibilities. The Accelerant programme will continue throughout 2017 as we engage and develop more of our talented people to become ambassadors of change and success.

### **Relentless focus on people**

In recognition of the significant role our people play, progress was made in a number of areas during the year. To ensure we have the right people in the right place, colleagues are treated consistently, have an opportunity to progress and receive appropriate reward and recognition for their contribution.

We have attracted new talent by creating a number of roles for professionals with fresh

skills, experience and capabilities that will drive innovation and success across the Group. Appointments such as Commercial and Sales Directors in our Asia Pacific region, along with Business Development and Client Directors in Germany and a new Spanish Country Manager will help drive commercial growth. Other new recruits are a Head of Internal Audit, a Group Head of Risk Management and a Group Information Security Manager all of which strengthen our governance and regulatory experience.

A job evaluation exercise took place in 2016 to ensure we have a consistent grading approach to roles across all functions and countries. This will underpin our new global grading framework that will see functional job families and unique functional career paths created for our people in 2017. This development is an essential part of operating as a truly global organisation.

Promotion from within remained a core part of the people agenda in 2016. A number of structural changes created career progression opportunities for colleagues who want to become the best they can be. Examples include the extra responsibilities undertaken by our Group Product Director, India Country Manager and the UK Country Manager. A mentoring programme launched in Spain provides further support for development and internal promotion, and will be rolled out in other countries during 2017.



# Our customers

**Tracy Abraham**  
Chief Marketing Officer

CPP is committed to developing both direct-to-consumer propositions as well as those through trusted Business Partners. In each case, the delivery of relevant and inspiring products, backed by excellent customer service across our global footprint, is our constant priority.

## **Helping people make the most of a connected world**

Technology is opening up a world of possibilities for our customers as never before. Wherever they are in the world, they are connected via mobile devices and smart tools. This brings amazing new opportunities and new options to people; allowing them to explore and try new things, reach out and engage.

We believe that looking at the world with a positive state of mind creates opportunities for our customers, our partners and for us. We are here to help empower people, creating the products and services that allow them to explore and connect with confidence. By equipping them with the right tools we believe people enjoy greater freedom to embrace life's opportunities and make the most of the connected future.

## **Better insight helps us better serve our customers**

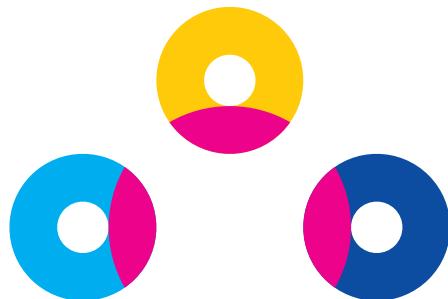
Our understanding of today's global consumer, gained through research and insight, demonstrate three key trends shaping the market:

### **Life on demand**

Time is more precious than ever to consumers - driving an expectation that products and services must provide immediacy and convenience. Global consumers often feel under time pressure in their daily lives and are willing to spend money to save time. We want to help enable customers to reduce friction and pain points in their lives by giving them greater control and immediate resolution when something goes wrong.

### **Connected consumers and digital first**

Consumers still have a sense of unease when undertaking certain activities online. They are becoming more aware of the digital crumbs of information they leave behind and lack confidence with regards to the safety of their personal data. We want to help empower consumers to take advantage of technology in a way that enables the protection of personal information against misuse.



**CPP's ethos is one of positivity and boldness, helping us resonate with modern consumers around the globe.**

**Our developing consumer-facing brand will build greater equity through increased recognition, which, in turn, will drive greater revenue for us and our Business Partners.**

#### **Cruise control**

Across the globe, consumers agree they want to be in control of their lives at all times. They aspire to lead an optimised life, unshackled from daily inefficiencies. Customers increasingly want to be in the driving seat and are looking for tools to self-serve and solve.

From these trends and insights we are developing a product portfolio that will give our customers that sense of confidence and reassurance which comes with feeling their lives are well protected and under control. We will continue to invest in insight to help us develop relevant services that evolve in an ever-changing market.

#### **A new identity marks a more direct customer relationship**

As we move towards a broader customer base including both Business Partners and direct consumer relationships, 2016 was the right time to initiate a full brand refresh.

The process began with the creation of a new visual identity for CPP and 2017 will see the project roll out with new branding at product level. Working across all our channels, the new identity will herald a fresh look and feel with a tone of voice that articulates our personality values.

# Innovation and new product development

As people continue to live ever more complex, mobile and connected lives, CPP's goal is to give them the confidence to connect and the freedom to explore their world. Our focus is delivering highly relevant, simple to use products and services based on strong consumer insights and which fit seamlessly into users' daily lives.



**Sid Mouncey**  
Group Product Director

## Propositions with global appeal

2016 saw the launch of 'OwlDetect', CPP's first global digital service. OwlDetect is designed to give consumers more confidence and reassurance online by securely monitoring the internet and dark web for any leaks of their personal data. It then helps them take appropriate action if anything is found where it shouldn't be. This service is incredibly relevant in today's society where consumers routinely provide a wide array of personal information to access online services.

### The OwlDetect service helps customers in three ways:

- Detect – when a customer joins OwlDetect we run an immediate historical scan to see if their sensitive personal data has been compromised online. If anything is discovered they can see what it is, when it was found and what level of risk this poses. We then continue with 24/7 monitoring of the customer's data and will send a user alert if anything is found.
- Resolve – if personal data has been compromised we provide a tailored action plan so the customer can take back control of the situation. We do this online or over the phone.
- Protect – we provide simple to understand and easy to follow help on how to stay safe online by taking small practical steps without disrupting the customer's connected life.

We have launched OwlDetect in the UK and Germany and will be launching in further countries throughout 2017. OwlDetect also works with a range of distribution models via our Business Partner network. We are actively talking to a number of multi-national organisations about offering OwlDetect to their customer base.

OwlDetect is also available for consumers to buy direct at [www.owldetect.com](http://www.owldetect.com). Supported by a range of locally optimised digital marketing initiatives, this represents a first for CPP in marketing directly to the end consumer.

We will broaden the OwlDetect proposition to satisfy evolving market and customer needs in key markets.

#### **Propositions developed to meet specific market demand**

2016 also saw the launch of a new product, Asset Care, in the Indian market, which has contributed to the region's accelerated growth. Asset Care is an innovative product providing a package of relevant assistance services to consumers buying electrical goods in retail stores or online. We also offer extended warranty, providing added assistance services and peace of mind for customers, as well as delivering on CPP's Power to Fix core competency.

The product has been launched in-store in over 200 cities in India. Roll-out was supported by our team training in channel and supporting the partner execution of the product. Sales figures for the product are very strong with over 200,000 new customers in the second half of 2016. These volumes are expected to continue to grow in 2017.

#### **What is in the pipeline?**

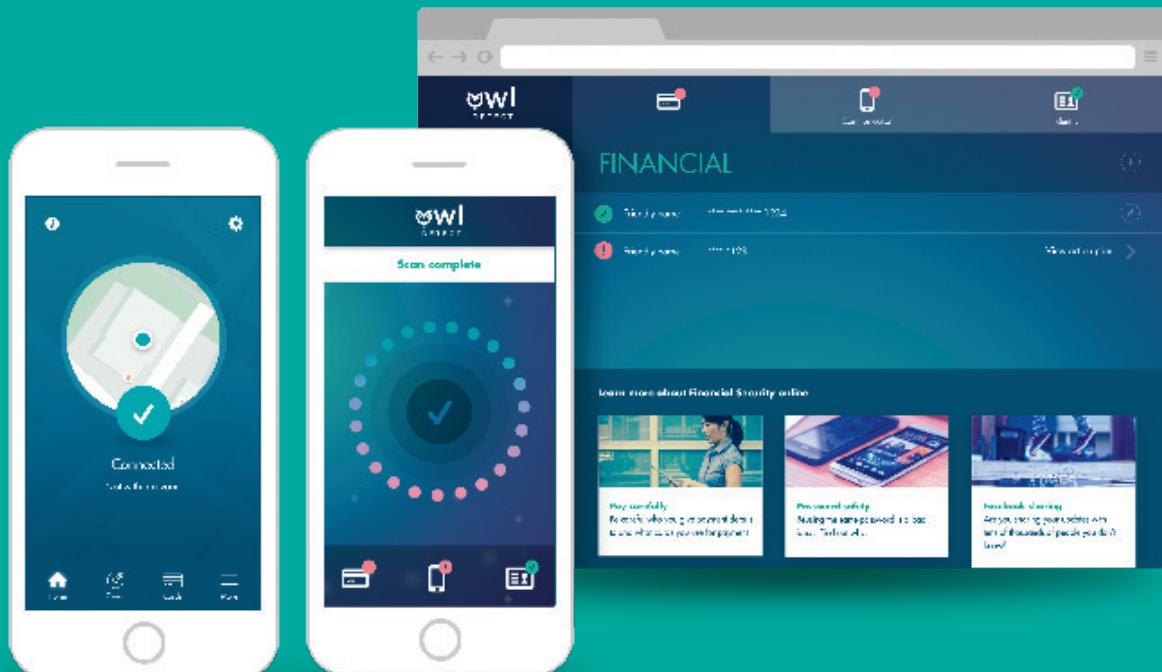
Innovation and new product development are key to our strategic priorities. In 2017, new products and services will be brought to market both globally and at a more bespoke local level.

We will deliver this through a combination of in-house product development and strategic partnerships with the first of these being the acquisition of Blink. We will focus on bringing new innovative products and services to market at pace. These products must demonstrate ease of understanding and simplicity in use.

The growth of technology solutions that help people stay connected to the things that matter most to them is an exciting opportunity for CPP. New services in 2017 will utilise this technology to complement our proven ability to fix issues, further reducing stress and anxiety when things go wrong. This will allow our business to transition both new and existing products into people's everyday lives, creating additional value and enabling greater control.

We are actively developing travel assist products for both home and abroad, as well as in day-to-day lives. Our first new product to market in this category will use Bluetooth technology to help consumers avoid losing or misplacing their wallet or handbag, but should the worst happen and a loss occur, they can cancel their cards simply through their mobile device. It is expected that this product will be available by the end of Q2 2017.

Consumer research demonstrates a clear need for solutions in these areas and proposition testing by CPP has demonstrated high customer appetite and interest about our new products.



# Operational review

During 2016 we have seen significant growth in our Asia Pacific region which has helped to reduce the dependency the Group previously had on the UK and Ireland region. We have launched our first global product and have focused on channel and product development in our local markets to help build stronger, sustainable operations.

## Regional trends 2016

	Revenue (€) <sup>1</sup>	Underlying operating profit (€) <sup>1</sup>	New sales (€)	Renewal rates (%) <sup>1</sup>	Operating margin (%) <sup>1</sup>
<b>UK and Ireland</b>					
UK and Ireland	↓	↓	—	↑	↑
<b>Europe and Latin America</b>					
Spain	↓	↓	↓	↑	↓
Italy	↓	↓	↓	↑	↓
Portugal	↓	↓	↓	—	↓
Germany	↑	↑	↓	↑	↑
Turkey	↑	↑	↑	↑	↑
Mexico	↑	↓	↑	↑	↓
<b>Asia Pacific</b>					
India	↑	↑	↑	↑	↑
China	↑	↑	↑	↓	↑
Malaysia	↓	↓	—	↑	↓
Hong Kong	↓	↑	—	↑	↑

↑ Increase — Level ↓ Decrease

1. On a constant currency basis

## 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 Voluntary Variation of Permissions (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).

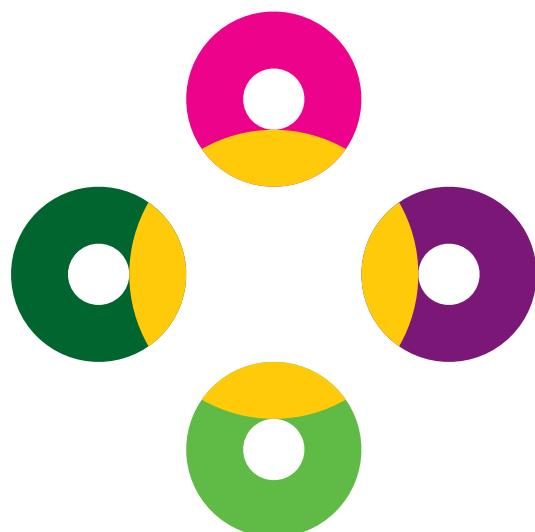
### Review

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.

**The progress made in some of our developing markets within Asia Pacific and Europe and Latin America has been excellent. 2016 marked a new beginning for CPP as a thriving global business.**



# Financial review



**Michael Corcoran**  
Chief Financial Officer

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.

## Overview

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.

Continuing operations	2016 £m	2015 £m
Revenue	<b>73.6</b>	76.8
Gross profit	<b>45.9</b>	44.4
Administrative expenses <sup>1</sup>	(37.5)	(37.6)
Underlying operating profit	<b>8.4</b>	6.9
Exceptional items	(9.2)	17.8
MSP charges	(1.0)	(1.7)
Reported operating (loss)/profit	(1.8)	23.0
Net finance costs	(0.1)	(1.1)
Reported (loss)/profit before tax	(1.9)	21.9
Taxation	<b>1.3</b>	(3.4)
(Loss)/profit for the year	<b>(0.5)</b>	18.5
(Loss)/earnings per share (pence)		
- Basic	<b>(0.06)</b>	2.42
Net assets	<b>10.1</b>	10.0
Net funds	<b>26.9</b>	37.6

1. Excluding exceptional items and Matching Share Plan (MSP) charges

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.

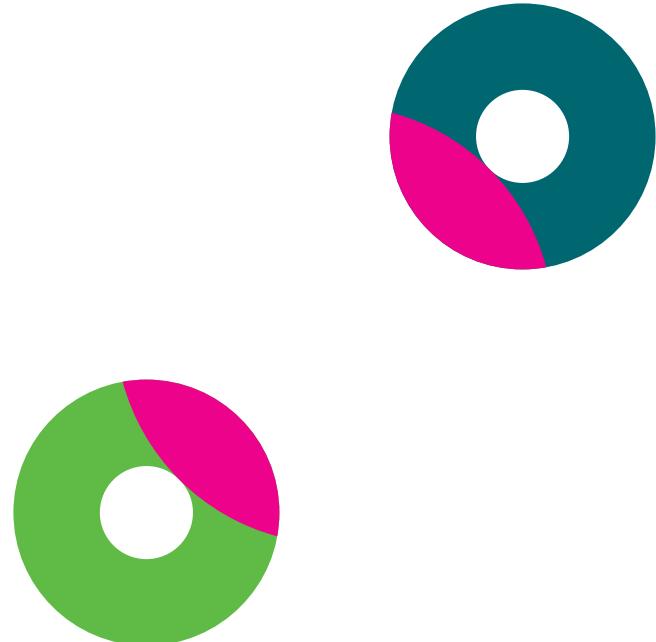
In 2015, the UK business decided that it was no longer appropriate to make commission payments on renewing policies where the Business Partners have no ongoing involvement in the renewal process and do not provide any service to the customer. During the year these commission savings provided price reductions 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.

### **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 £0.1 million 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.

# Financial review continued

## Summary continued

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.

## 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.

**“Cost management remains integral to the Group’s strategy, the benefit of which will enable focused investment in the correct areas to drive growth.”**

Michael Corcoran

## 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

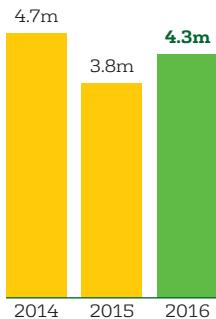
As announced on 17 March 2017, the Group has completed the acquisition of Blink for an initial consideration of €1 million, which was paid on completion. The acquisition allows for a further earn-out based on future products developed by Blink. The maximum earn-out is based on up to 20% of defined profits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

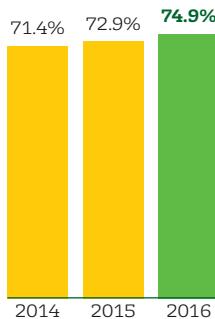
# Key performance indicators

## Live policies



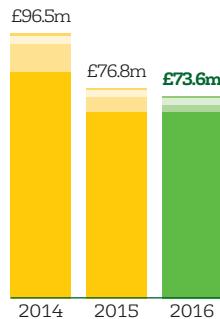
The live policy base has increased by 14% in the year to due to customer growth in our Indian, Chinese and Turkish markets. The positive impact of these markets is partly reduced by the continued decline in the UK.

## 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.

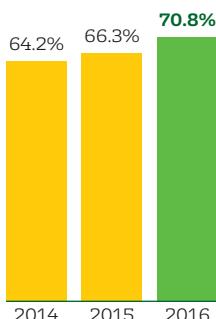
## Revenue from major products



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.

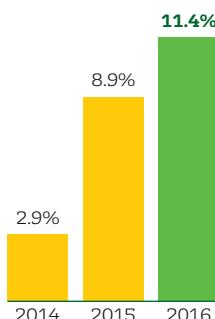
● Non-policy revenue  
● Wholesale  
● Retail insurance  
● Retail assistance

## Cost/income ratio<sup>1</sup>



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.

● Free cash  
● VVOP and regulated cash

1. Cost of sales and administrative expenses (excluding commissions, exceptional items and MSP charges) as a percentage of revenue.

# Risk management and principal risks

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 appetite; risk identification and assessment; management and control of risk exposures; business incident management process; and a robust policy framework.

CPP operates a 'three lines of defence' model across the Group. The business is responsible for the identification and management of risks, with oversight and challenge from the Group control functions, and review independently provided by Internal Audit.

The focus of our risk management framework is to ensure we manage our business in a sustainable and controlled way, making risk-based decisions commensurate with our appetite and resources.

## **Internal control and oversight**

The Group Board has overall responsibility for the Group's system of internal control and for monitoring its effectiveness. The Audit Committee and Risk & Compliance Committee operated throughout the year, each overseeing the Group's system of internal control and risk management framework.

Material risk or control matters, together with the appropriate management action, are reported to the Board via the Risk & Compliance Committee and/or the Audit Committee. The Board monitors the ongoing process by which critical risks to the business are identified, evaluated and managed.

The Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve the Group's objectives and provides reasonable, not absolute, assurance against material misstatement or loss. In assessing what constitutes reasonable assurance, the Board considers the materiality of financial and non-financial risks and the relationship between the cost of, and benefit from, the system of internal control.

## **Solvency and capital assessments**

CPPL is authorised and regulated by the FCA, and HIL is authorised by the PRA and regulated by the FCA and the PRA. Each undertakes a solvency/capital adequacy assessment on a regular basis. Outputs from these assessments are subject to review and approval by the individual Boards of these companies and are reviewed by the FCA and PRA from time to time.

HIL is subject to the European Commission's Solvency II Directive which came into operation from 1 January 2016. The Directive is aimed at producing a more consistent solvency standard for insurers across Europe, ensuring that capital requirements are more reflective of the risks being accepted. The Group has complied with the requirements of Solvency II during the year.

The Group operates in regulated markets worldwide. No similar reporting requirements to the local regulator exist in the Group's other markets.

## Principal risks and uncertainties

Key risk	Description	Mitigation	Status
<b>Liquidity risk</b>	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.	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.	—
<b>Reputational risk</b>	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.	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.	—
<b>Shareholder risk</b>	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.	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.	—
<b>People and resources risk</b>	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.	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.	—
<b>Technology and information security risk</b>	The Group had embarked on a significant and wide ranging transformation programme that included 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.	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.	↑

↑ Increase — Static ↓ Decrease

# Risk management and principal risks continued

## Principal risks and uncertainties continued

Key risk	Description	Mitigation	Status
<b>International business risk</b>	<p>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.</p>	<p>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.</p>	↑
<b>Conduct and regulatory risk</b>	<p>The risk of customer detriment arising from inappropriate conduct, practice or behaviour and failing to meet customer needs, interests or expected outcomes.</p> <p>The risk of fines, penalties, censure or other sanctions arising from failure to identify or meet regulatory requirements.</p> <p>The risk that new regulation or changes to existing interpretation has a material effect on the Group's operations or cost base.</p>	<p>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.</p>	↓
<b>Third party Business Partner risk</b>	<p>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.</p>	<p>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.</p>	—
<b>Emerging risks</b>	<p>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.</p>	<p>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.</p>	—

↑ Increase — Static ↓ Decrease

The Strategic report section on pages 6 to 28 of this Annual Report has been reviewed and approved by the Board of Directors on 23 March 2017.

**Jason Walsh**  
Chief Executive Officer

# Board of Directors

- Committee Chairman
- N Nomination Committee
- A Audit Committee
- RC Risk & Compliance Committee
- R Remuneration Committee



**Sir Richard Lapthorne**  
Chairman

**Appointment** May 2016

**Committee memberships** A RC N R

**Skills and experience**

A Fellow of CIMA, the Association of Corporate Treasurers and the ICCA, Sir Richard was Chairman of Cable & Wireless plc from 2003-2010 and of Cable & Wireless Communications plc (CWC) following its demerger until 2016. He was Chairman of the PwC Public Interest Body until March 2016 and is currently a Non-Executive Director of Sherritt International, based in Toronto and UK-based property companies, Outland Estates Limited and Albert Square Estates Limited. Richard was a Trustee of Tommy's Campaign until 2014 and was Her Majesty the Queen's Trustee at The Royal Botanic Gardens, Kew until his retirement in September 2009.



**Jason Walsh**  
Chief Executive Officer

**Appointment** May 2016

**Skills and experience**

Jason held a number of senior management roles with CPP between 2002 and 2014, including international development and Group transformation. His last role with CPP was as UK Managing Director responsible for the Group's regulated businesses where he held the senior approved persons position for both CPPL and HIL. More recently, he spent almost two years working as a consultant with Ernst & Young within their Financial Services Advisory practice, returning to CPP in May 2016 as CEO.



**Michael Corcoran**  
Chief Financial Officer

**Appointment** October 2015

**Skills and experience**

A Fellow of the ICAEW, Michael has more than 20 years' experience in senior finance roles in regulated financial services businesses. He held CFO-level roles with two US-listed companies, including Franklin Templeton Investments, a listed global investment management business operating in 35 countries, and is currently a Director of Branath Financial Limited.



**Justine Shaw**  
People & Culture Director

**Appointment** July 2016

**Skills and experience**

Justine has over 20 years' experience in senior strategic and operational HR roles both in the UK and Canada, spanning telecom, financial services and consulting/professional engineering.

Joining CPP in February 2012, more recently Justine has performed a number of senior roles including, most recently, Chief People Officer with a focus on talent management and a positive performance culture.



**Mark Hamlin**  
Independent Non-Executive Director

**Appointment** May 2016

**Committee memberships** A RC N R

**Skills and experience**

A Chartered Clinical Psychologist, Mark is Chairman of the Organisation Resource Group. He is a senior adviser to the boards of global businesses in many areas including strategy, culture and corporate change programmes.

Mark is a Non-Executive Director of ColArt and P44 and was Deputy Chairman of CWC until the company was sold in May 2016.

Born in Johannesburg, he is involved with a number of charities in both Africa and the UK.



**Nick Cooper**  
Independent Non-Executive Director

**Appointment** May 2016

**Committee memberships** A RC N R

**Skills and experience**

Nick was formerly a Director of CWC with board responsibility for HR, Brand, PR & Communications, Legal & Regulatory Affairs, Insurance and CSR. He led the successful migration of CWC's central operations from London to Miami.

A qualified solicitor, Nick held in-house positions with ASDA, The Sage Group plc and JD Wetherspoon plc and was Legal Director & Company Secretary of Energis.

# Group leadership team and company secretary



**Jason Walsh**  
Chief Executive Officer

Jason returned to the business in May 2016, having previously worked for the Company between 2002 and 2014. As CEO, he is responsible for the day to day running of the business and for developing the Group's strategy and overall commercial objectives.



**Michael Corcoran**  
Chief Financial Officer

Having joined the Group in July 2015 Michael is responsible for strategic financial leadership of the Group including Risk and IT as well as Finance, Treasury and Tax.



**Justine Shaw**  
People & Culture Director

Justine joined the Group in February 2012, initially as UK HR Director. In her role as People & Culture Director she is responsible for developing a values-driven culture across the Group and business change.



**Sid Mouncey**  
Group Product Director

Sid joined the Group in September 2001. He was promoted to Group Product Director in November 2016, with a remit to focus on products and propositions, in particular enhancing existing products and driving forward new product development.



**Tracy Abraham**  
Chief Marketing Officer

Tracy joined the Group in December 2015 as Chief Marketing Officer having previously worked at Monzo the mobile-only challenger bank. She is responsible for digital, direct to consumer and partner marketing as well as the building of the Group global and product brands.



**Lorraine Beavis**  
Company Secretary

Lorraine is a Fellow of the Institute of Chartered Secretaries and Administrators, who joined the Group as Deputy Company Secretary in April 2012, assuming the role of Company Secretary in October 2013.

# Corporate governance report

**The Board is committed to maintaining high standards of corporate governance.**

## Introduction

On behalf of the Board, I am pleased to present our corporate governance report for the financial year ended 31 December 2016.

As an AIM-listed company, the Group is not obliged to comply with the UK Corporate Governance Code 2014 (the Code), although the Board fully supports the principles of the Code and seeks to comply, insofar as it is practical to do so given the size and nature of the Company.

This report sets out the extent to which the Company complied with the provisions of the Code up to the date of this report and highlights where it did not.

**Sir Richard Lapthorne**  
Chairman



Read about our  
Board of Directors  
**page 29**



Read about our  
risk management  
and principal risks  
**pages 26 to 28**

## Compliance with the UK Corporate Governance Code 2014

The Code defines a smaller company as one that is below the FTSE 350 throughout the year immediately prior to the reporting year. Insofar as is required of a smaller company as so defined, the Directors consider that the Company has been in full compliance with the provisions set out in the Code throughout the year and up to the date of this report, except as described below:

- The circumstances surrounding the appointments of most of the current Board members meant that the use of either an external search consultant or open advertising was not appropriate.
- During most of the year under review the Board Chairman was also Chairman of the Audit Committee. This is an interim measure and the situation is expected to be resolved during the forthcoming year as the Board intends to recruit a further Independent Non-Executive Director to take over the role of Audit Committee Chairman.
- In view of recent changes to almost the entire Board, a formal Board effectiveness review was again not considered appropriate. The Board expects in 2017 to carry out a self-assessment exercise which will lead to a programme that will include internal and external assessments.
- Given the Company's size, the Board has not considered the appointment of a Senior Independent Director appropriate. This will be kept under review as the Company's strategy and structure develops.
- For the duration of the extension to Nick Cooper's Non-Executive role referred to in the Chairman's statement, the Board has determined that Nick cannot be considered independent and the composition of the Board and its Committees will not therefore comply with the Code. This situation will be resolved during 2017, when the temporary extension comes to an end.
- Although, as an AIM-listed company, specific shareholder approval to new long-term incentive schemes is not required, major shareholders were consulted prior to the implementation of the 2016 Long Term Incentive Plan.

# Corporate governance report continued

## Leadership

### The role of the Board

The Board is responsible to shareholders for the strategic direction, management and control of the Company's activities and remains committed to high standards of corporate governance.

At the date of this report, the Board comprises:

**Sir Richard Lapthorne**  
Chairman

**Jason Walsh**  
Chief Executive Officer

**Michael Corcoran**  
Chief Financial Officer

**Justine Shaw**  
People & Culture Director

**Mark Hamlin**  
Independent  
Non-Executive Director

**Nick Cooper**  
Independent  
Non-Executive Director

The following changes were made during the year and up to the date of this report:

**Sir Richard Lapthorne**  
appointed 5 May 2016

**Mark Hamlin**  
appointed 5 May 2016

**Nick Cooper**  
appointed 5 May 2016

**Jason Walsh**  
appointed 18 May 2016

**Justine Shaw**  
appointed 31 July 2016

**Roger Canham**  
resigned 5 May 2016

**Stephen Callaghan**  
resigned 5 May 2016

**Shaun Astley-Stone**  
resigned 5 May 2016

**Abhai Rajguru**  
resigned 5 May 2016

**Ruth Evans**  
resigned 10 February 2016

Biographical notes of each of the current Directors are given on page 29.

## How the Board operates

The Board has a formal schedule of matters reserved to it, which is available on the Company's website [www.cppgroupplc.com](http://www.cppgroupplc.com).

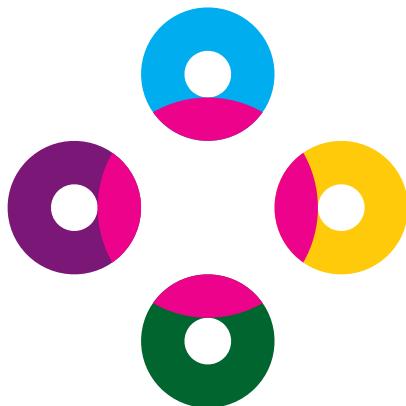
Key matters that the Board is specifically responsible for include:

- approval of the Group's long term ambitions, objectives and commercial strategy;
- material changes to the Group's corporate structure, including any acquisitions or disposals;
- ensuring maintenance of a sound system of internal control and risk management;
- approval of annual and half-year results and trading updates;
- approval of the dividend policy; and
- material capital investments.

Other powers are delegated to the various Board Committees and to senior management. Details of the roles and responsibilities of the Board Committees are set out on pages 35 to 40 and copies of all terms of reference are available on the Company's website.

Papers for Board and Committee meetings are circulated in advance of the relevant meeting. Any Director who is unable to attend receives a full copy of the papers and has the opportunity to comment on the matters to be discussed.

Each member of the Board has access to all information relating to the Group and to the advice and services of the Company Secretary (who is responsible for ensuring that Board procedures are followed). All Board members also have access to external advice at the expense of the Group, should they need it.



### **Chairman and Chief Executive Officer**

The roles of the Chairman and the Chief Executive Officer are separate, clearly defined in writing and have been agreed by the Board.

The Chairman is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and setting its agenda.

The Chief Executive Officer is responsible for the day-to-day running of the business and is accountable to the Board for its operational and financial performance.

### **Board balance, independence and appointments**

The Board's primary role is to provide leadership to the Group, to set the Group's long term strategic objectives and to develop robust corporate governance and risk management practices.

The Board aims to ensure that the balance between Non-Executive Directors and Executive Directors reflects the changing needs of the business and allows the Board to exercise objectivity in decision making and proper control of the Company's business.

On his appointment as Chairman, Sir Richard Lapthorne satisfied the independence criteria as set out in the Code, although, following his appointment, he is assumed, in accordance with the Code, not to be independent.

The Board has reviewed the independence of each of the other Non-Executive Directors and concluded that Mark Hamlin is independent. Nick Cooper was independent during the period under review, but is not considered to be independent at the date of this report.

The Chairman holds regular informal meetings with Non-Executive Directors without the Executive Directors present.

On joining the Board, Non-Executive Directors receive a formal appointment letter, which identifies the estimated time commitment expected of them. A potential Director candidate is required to disclose all significant outside commitments prior to appointment and the Board requires disclosure and

approval by the Board of all additional appointments for Executive or Non-Executive Directors.

The terms and conditions of appointment of Non-Executive Directors and service contracts of Executive Directors are available to shareholders for inspection at the Group's registered office during normal business hours.

### **Information and professional development**

The Board receives at its meetings detailed reports from senior management on the performance of the Group and other information as necessary. Regular updates are provided on relevant legal, corporate governance and financial reporting developments and Directors are encouraged to attend external seminars on areas of relevance to their role.

Appropriate training and induction is made available to any newly-appointed Director, having regard to any previous experience they may have as a Director of a public company or otherwise. In addition to any guidance that may be given from time to time by the Company Secretary, Directors are encouraged to devote an element of their time to self development through available training.

All Directors have access to the advice and services of the Company Secretary. The removal and appointment of the Company Secretary is a matter reserved for Board approval. The Board also obtains advice from professional advisers as and when required.

### **Performance evaluation**

In view of the number of changes and issues faced by the Board during recent years, the Board has not considered formal evaluation to be appropriate. The Board expects in 2017 to carry out a self-assessment exercise which will lead to a programme that will include internal and external assessments.

### **Re-election**

All Directors are subject to retirement by rotation in accordance with the Articles of Association. Biographies for all Directors can be found on page 29.

### **Directors' attendance at Board and Committee meetings in 2016**

	<b>Board</b>	<b>Audit Committee</b>	<b>Risk &amp; Compliance Committee</b>	<b>Remuneration Committee</b>	<b>Nomination Committee</b>
Sir Richard Lapthorne Chairman	7 (7)	2 (2)	2 (2)	6 (7)	1 (1)
Jason Walsh Chief Executive Officer	5 (5)	—	—	—	—
Michael Corcoran Chief Financial Officer	12 (12)	—	—	—	—
Justine Shaw People & Culture Director	3 (4)	—	—	—	—
Mark Hamlin Non-Executive Director	7 (7)	2 (2)	2 (2)	7 (7)	1 (1)
Nick Cooper Non-Executive Director	7 (7)	2 (2)	2 (2)	6 (7)	1 (1)

The figures in brackets represent the maximum number of meetings for which the individual was a Board or Committee member.

# Corporate governance report continued

## Relations with shareholders

The Board is committed to maintaining good relationships with shareholders and the Chairman is responsible for ensuring that appropriate channels of communication are established between the Executive Directors and shareholders, ensuring that the views of shareholders are made known to the Board.

Members of the Board maintain regular dialogue with the Company's largest shareholders.

All shareholders have the opportunity to convey their views and make enquiries by email or telephone.

The Group maintains a corporate website ([www.cppgroupplc.com](http://www.cppgroupplc.com)) which complies with AIM Rule 26 and contains a range of information of interest to institutional and private investors, including the Group's annual and half-year reports, trading statements and all regulatory announcements relating to the Group.

The Annual General Meeting (AGM) provides the Board with an opportunity to meet and communicate directly with private investors. Details of the AGM and the resolutions to be proposed are contained in the notice accompanying this Annual Report and available to download from our website, [www.cppgroupplc.com](http://www.cppgroupplc.com). Voting at the AGM will be conducted by way of a poll.

## Internal control and compliance

The Audit Committee and the Risk & Compliance Committee receive regular reports on compliance with Group policies and procedures. On behalf of the Board, the Audit Committee and the Risk & Compliance Committee confirm that, through discharging their responsibilities under their terms of reference as described on pages 35 and 36, they have reviewed the effectiveness of the Group's system of internal controls and are able to confirm that necessary actions have been or are being taken to remedy any failings or weaknesses identified.

Full details of the Group's system of internal control and its relationship to the corporate governance structure are contained in the risk management and principal risks section of this report on pages 26 to 28.

## Conflicts of interest

A register of conflicts of interest is maintained by the Company Secretary. Directors are required to declare any specific conflicts that arise from each Board agenda and a Director would be expected to refrain from voting on any matter that represented an actual or potential conflict of interest.

## Viability statement

In accordance with provisions C.2.2 of the 2014 Corporate Governance Code, the Directors have assessed the prospects of the Company over a three-year period. The Directors consider this to be an appropriate period of review for the following reasons:

- it reflects the typical cycle of the Group's borrowing arrangements; and
- it reflects the performance period in respect of the Group's long term incentive plans.

The Group has a formalised process of budgeting, reporting and review along with procedures to forecast its profitability and cash flows. The plans provide information to the Directors which are used to ensure the adequacy of resources available for the Group to meet its business objectives, both in the short term and in relation to its strategic priorities. The Group's revenue, profit and cash flow forecasts were subject to robust downside stress testing over the assessment period, which involved modelling the impact of a combination of plausible adverse scenarios. This was focused on the impact of the Group's key operational risks crystallising.

In addition the Group's operations have a diverse geographical spread and strong renewal rates in established markets resulting in stable and recurring cash flows.

In making the assessment the Directors acknowledge that whilst the Group is operating from a stable financial platform the strategy and longer term viability of the Group are based on the successful launch of new products globally and some uncertainty in the medium to long term remains as this work is ongoing.

Based on the results of the analysis performed, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over a period of at least three years.

## Board Committees

The Audit Committee, the Risk & Compliance Committee, the Remuneration Committee and the Nomination Committee are standing Committees of the Board. The Company Secretary acts as Secretary to all Board Committees and the Chairman of each Committee reports to the Board. Written terms of reference of these Committees, including their objectives and the authority delegated to them by the Board, are available upon request from the Company Secretary or via the Group's website at [www.cppgroupplc.com](http://www.cppgroupplc.com). Terms of reference are reviewed at least annually by the relevant Committee and approved by the Board and are available on the Company's website. All standing Committees have access to independent expert advice, if required.

In addition to the standing committees outlined above, the Board has also established an Operations Committee, which is an 'ad hoc' committee set up to discuss operational matters relating to the business of the Company and to make recommendations to the Board on relevant items of business.

## Report of the Risk & Compliance Committee

### Key objectives

The Committee's key objective is to assist the Board in fulfilling its oversight responsibilities with regard to the risk appetite of the Group and the risk management and compliance framework and the governance structure that supports it.

### Key responsibilities

- Review reports and recommendations regarding the Group's overall risk strategy, appetite, policies, capacity and tolerances and make recommendations to the Board.
- Review the appropriateness and effectiveness of the Group's management systems and controls and approve any related disclosures.
- Review appropriateness of the governance functions' policies and procedures.
- Consider reports from each governance function, including those on adherence to the Group's policies and standards and the maintenance of a risk and compliance culture.
- Recommend to the Board the appointment or removal of the Head of Risk Management.
- Keep under review the adequacy and effectiveness of the Group's governance functions and the timeliness and effectiveness of management actions.

### Membership and meetings

The Committee comprises Nick Cooper (Chairman), Sir Richard Lapthorne and Mark Hamlin.

Other individuals such as the Executive Directors, Group General Counsel, the Head of Risk Management and the Head of Compliance may be invited to attend all or part of any meeting as appropriate. The Committee met twice during the year.

### Main activities of the Committee during the year

Specific matters dealt with during the year include:

- new product launch;
- information security certifications (PCI DSS and ISO27001);
- resource within the Risk function;
- accountability and responsibility at 'first line' level; and
- risk framework and risk register.

## Report of the Nomination Committee

Given the size and current circumstances of the business this is an 'ad hoc' Committee that meets only as and when required.

### Key objectives

To assist the Board in ensuring that the Board and its Committees comprise individuals with the requisite skills, knowledge and experience to ensure they are effective in discharging their responsibilities.

### Key responsibilities

- Carry out a formal selection process for Executive and Non-Executive Directors and propose to the Board any new appointments.
- Oversee succession planning for Directors and senior managers below Board level.
- Review the structure, size and composition of the Board (including the skills, knowledge, experience and diversity required).
- Make recommendations to the Board in respect of the membership of the Board Committees in consultation with the Chairmen of those Committees.
- Make recommendations to the Board on the reappointment of any Non-Executive Director at the conclusion of their specified term of office.

### Membership and meetings

Current membership is Sir Richard Lapthorne (Chairman), Mark Hamlin and Nick Cooper. Other individuals and external advisers attend meetings at the request of the Committee Chairman. The Committee met once during the year.

### Main activities of the Committee during the year

The following principal item was dealt with during the year:

- Appointment of Justine Shaw to the Board.

### Board diversity

The Board considers itself diverse in terms of the background and experience each individual member brings to the Board, and recognises the benefits that greater diversity at the most senior levels of the Company may bring. The terms of reference of the Committee require that in each appointment to the Board, the Committee must 'consider candidates on merit and against objective criteria, and with due regard for the benefits of diversity on the Board, including gender' in identifying and recommending candidates.

# Report of the Audit Committee



**Sir Richard Lapthorne**  
Chairman of the Audit Committee

## Other members



Mark Hamlin



Nick Cooper

## Introduction

On behalf of the Board, I am pleased to present my first report since being appointed as Chairman of the Audit Committee in May 2016. The Audit Committee has clearly defined terms of reference which set out its objectives and responsibilities. These will be kept under review to ensure that the Committee remains effective in fulfilling its duty to provide assurance to the Board as to the integrity of the financial statements and the effectiveness of the Group's internal controls.

### Key objectives

The Committee's main remit is to assist the Board in discharging its duties and responsibilities for financial reporting and internal financial control including:

- monitoring the integrity of the financial reporting systems;
- examining management's processes for ensuring the appropriateness and effectiveness of internal financial controls;
- overseeing the work of the Internal Audit function; and
- providing an interface between management and the external Auditor.

### Meetings and membership

As at the date of this report, the Committee comprises Sir Richard Lapthorne (Chairman), Nick Cooper and Mark Hamlin. Others may attend by invitation of the Committee Chairman. During the year the external Auditor, the Chief Executive Officer, the Chief Financial Officer and the Head of Internal Audit attended most meetings to report to the Committee and provide clarification and explanations where appropriate. The Chairman of the Audit Committee also meets on a regular basis with the Head of Internal Audit and the external Auditor without executive management present. The Board considers that Sir Richard Lapthorne has recent and relevant financial experience and that all Committee members have appropriate experience in similar roles.

### Main activities during the year

The Committee fully recognises its role of protecting the interests of shareholders and other stakeholders with regard to the integrity of published financial information and the effectiveness of the audit. The main activities of the Committee during the year were:

#### Financial statements

The Committee reviewed and discussed financial disclosures made in the annual results announcement, the Annual Report & Accounts and the half-yearly financial report, together with any related management letters, letters of representation and reports from the external Auditor. Key financial reporting and accounting issues are shown in the table on page 37.

#### External Auditor

The Committee has responsibility for overseeing the relationship with the external Auditor and approves the external Auditor's engagement letter, audit fee and audit and client services plan (including the planned levels of materiality). The external Auditor attends meetings as appropriate and meets at least annually with the Committee without executive management present. The Chairman of the Committee also meets privately with the external Auditor from time to time.

During the year, the Committee received regular detailed reports from the external Auditor, including a formal written report dealing with the audit objectives, the Auditor's qualifications, expertise and resources, the effectiveness of the audit process, the procedures and policies for maintaining independence and compliance with the ethical standards issued by the Auditing Practices Board. The Committee is satisfied with the performance of the external Auditor during the year and the policies and procedures in place to maintain its objectivity and independence. Having considered the quality, objectivity and independence of the audit teams and the quality of their work completed across the Group, the Audit Committee has recommended that Deloitte LLP be reappointed at the forthcoming AGM.

### **Auditor's independence, objectivity and effectiveness**

Fees paid to the external Auditor are shown in note 7 to the consolidated financial statements. The external Auditor may provide non-audit services from time to time. The Committee keeps under review the level of non-audit fees as a proportion of the total fees paid to Deloitte LLP and is satisfied that any non-audit work that has been carried out during the year is that which would normally fall to the Company's Auditor.

The following controls are in place to ensure that Auditor objectivity and independence are safeguarded:

- a policy on the use of the Auditor for non-audit work has been agreed by the Committee. This ensures that work would usually only be awarded when, by virtue of the Auditor's knowledge, skills or experience, the Auditor is clearly to be preferred over alternative suppliers. This policy is appended to the Committee terms of reference which is available on the Group's website;
- the Committee receives and reviews each year an analysis of all non-audit work awarded to the Auditor over the financial period; and
- the Committee receives each year a report from the external Auditor outlining any matters that the Auditor considers bear on its independence and which need to be disclosed to the Audit Committee.

The Committee has a formal process to assess the effectiveness of the external Auditor, which is carried out on an 'ad hoc' basis following the completion of the audit. It takes the form of a detailed questionnaire completed by members of the Committee and senior members of the finance team who regularly interact with the external Auditor. The results of the questionnaire are reported to and discussed by the Committee.

### **Internal audit**

The Committee approves the annual internal audit plan and methodology, monitors progress against the plan and receives reports after each audit. Progress against actions identified in these reports is monitored by the Committee at regular intervals.

### **Key financial reporting and accounting issues**

The primary areas of judgement considered by the Committee in relation to the 2016 financial statements and how these were addressed by management are shown below:

<b>Area of judgement</b>	<b>Management action</b>
Cessation of commission payments to certain UK Business Partners	The Committee has received detailed explanations from executive management during the year in relation to continued correspondence with affected Business Partners and potential exposures. The Committee has challenged the information and has determined that it is comfortable with the Group's position on the matter.
Revenue recognition	The Committee receives regular updates from executive management on the Group's revenue recognition policies and has concluded that revenue recognition continues to be dealt with appropriately. This view is supported by the Auditor's report.
Recognition and impairment of capitalised costs	The Committee receive reports from executive management detailing the Group's non-current assets position and the support for carrying values. The Committee has challenged the papers, assessing the adequacy of approach in relation to IAS 38 and IAS 36 and is comfortable that balances are accurately reflected.
Going concern	The Committee has received detailed reports on the going concern status of the Company during the year. The Committee has reviewed and had the opportunity to challenge the reports including the underlying forecast assumptions. The Committee recognises that the Group still faces some risk in relation to medium term trading and strategy. The Committee believes that the Company remains a going concern and that it is appropriate that these financial statements are prepared on a going concern basis.

### **Sir Richard Lapthorne**

Chairman of the Audit Committee  
23 March 2017

The Committee has assessed the resources the Internal Audit department has to complete its remit and has approved the use of external consultants to supplement it if necessary, particularly in areas requiring specialist skills. The appointment and removal of the Head of Internal Audit is the responsibility of the Committee. There was a change in the department during the year with a newly appointed Head of Internal Audit joining the business in November 2016. The Internal Audit department continues to have unrestricted access to all Group documentation, premises, functions and employees, as required. The Head of Internal Audit has direct access to the Board and the Chairman of the Audit Committee and is accountable to the Audit Committee, meeting with the Committee Chairman from time to time, without executive management present.

### **Committee effectiveness**

From time to time the Committee carries out a self-assessment exercise to help it assess its own effectiveness. This exercise, which was last carried out in 2013, comprises a questionnaire completed anonymously by various participants and analysed by the Head of Internal Audit prior to consideration by the Committee.

### **Advice to the Board**

The Board sought the advice of the Committee as to whether the Annual Report & Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. The Committee adopted a formal process to enable it to satisfy itself that this was the case, before advising the Board.

Regular updates are provided to the Committee on developments in financial reporting and related legal and corporate governance matters.

The Committee has access to the services of the Internal Audit department and the Company Secretary and is authorised to obtain independent professional advice if it considers it necessary.

# Directors' remuneration report



**Mark Hamlin**  
Chairman of the Remuneration Committee

## Other members



Sir Richard  
Lapthorne



Nick Cooper

## Introduction

On behalf of the Board, I am pleased to present the Directors' remuneration report for the year ended 31 December 2016.

During the year the Remuneration Committee reviewed the Group's long term incentive arrangements. Details of changes made are summarised within this report and included in the detailed disclosure notes to the financial statements.

The following information on Directors' remuneration is disclosed mindful of Rule 19 of the AIM Rules and the fact that, as the Company is listed on AIM, it is not required to comply with the UK Listing Rules or those aspects of the Companies Act applicable to quoted companies.

### Role and responsibilities of the Remuneration Committee

The Committee is responsible for recommending to the Board the remuneration of the Chairman, Executive Directors, Company Secretary and senior management. The remuneration of Non-Executive Directors is a matter for the Chairman and the Executive members of the Board. The Committee also recommends and monitors the level and structure of remuneration for senior management.

### Activities during the year

The main activities of the Committee during the year under review and up to the date of this report were:

- review of long term incentive plans;
- review of short term incentive plans;
- strategy for year end salary reviews;
- agreeing terms for senior appointments and exits; and
- review of Committee terms of reference.

### Advisers to the Remuneration Committee

The Committee received advice over the year from independent remuneration consultants, Mercer Limited and OIS Consulting. Neither of these companies provided any other services to the Company during the year.

The Committee also receives advice and support from the People & Culture Director, the Chief Executive Officer, the Chief Financial Officer, and the Company Secretary.

No other advisers have provided significant services to the Committee in the year.

### Remuneration policy

The executive remuneration policy is designed to ensure that the remuneration of Executive Directors and the senior management team is sufficient to recruit, retain and motivate high quality individuals, whilst increasing the sustainable value of the enterprise. The Committee will review the remuneration policy from time to time and take whatever action it considers necessary to ensure that remuneration is aligned with the overall strategic objectives of the Group.

### Executive Directors' remuneration

In the year under review, the Executive Directors' total remuneration package comprised:

- fixed pay, including base salary, pension contributions, car allowance and an allowance to spend on a range of benefits available within the Group's flexible benefits scheme; and
- variable pay, comprising bonus opportunity and participation in the Group's share-based long term incentive plans.



Read about our  
Board of Directors  
page 29

### Non-Executive Directors

Non-Executive Directors receive written letters of appointment. Non-Executive Director appointments are subject to one month's notice.

Copies of Directors' service contracts and letters of appointment are available for inspection by shareholders at the Company's registered office.

The remuneration of the Executive and Non-Executive Directors serving during the year was as follows:

	Base salary/ fees £'000 2016	Taxable benefits £'000 2016	Bonus £'000 2016	Pension £'000 2016	Total £'000 2016	2015
<b>Executive Directors</b>						
Jason Walsh <sup>1</sup>	157	20	100	19	296	—
Michael Corcoran	240	21	96	24	381	322
Justine Shaw <sup>2</sup>	73	10	75	7	165	—
Stephen Callaghan <sup>3</sup>	117	10	—	18	145	735
<b>Non-Executive Directors</b>						
Sir Richard Lapthorne <sup>4</sup>	105	—	—	—	105	—
Mark Hamlin <sup>5</sup>	59	—	—	—	59	—
Nick Cooper <sup>6</sup>	59	—	—	—	59	—
Roger Canham <sup>7</sup>	35	—	—	—	35	54
Shaun Astley-Stone <sup>8</sup>	23	—	—	—	23	75
Abhai Rajguru <sup>9</sup>	16	—	—	—	16	—
Ruth Evans <sup>10</sup>	16	—	—	—	16	90

1. Jason Walsh was appointed as CEO on 18 May 2016.
2. Justine Shaw was appointed as People & Culture Director on 31 July 2016. The above figures have been pro-rated from that date, with the exception of bonus, where the full year figure is provided.
3. Stephen Callaghan's employment contract was terminated by the Company with immediate effect on 5 May 2016. In connection with such termination of his employment, he was also paid £35,000 by the Company and the CPPGroup Plc Employee Benefit Trust (EBT) purchased his 3,000,000 shares in the Company, for £120,000.
4. Sir Richard Lapthorne was appointed as Chairman on 5 May 2016.
5. Mark Hamlin was appointed as Non-Executive Director on 5 May 2016.
6. Nick Cooper was appointed as Non-Executive Director on 5 May 2016. On 16 January 2017 his role was extended on a temporary basis to provide additional support to the executive team. The additional remuneration for this temporary assignment is £30,000 per month paid in arrears in April and June 2017.
7. Roger Canham resigned as Chairman on 5 May 2016.
8. Shaun Astley-Stone resigned as Senior Independent Director on 5 May 2016.
9. Abhai Rajguru resigned as a Non-Executive Director on 5 May 2016.
10. Ruth Evans resigned as Senior Independent Director on 10 February 2016.

### Bonuses

Executive Director bonus awards are linked to underlying operating performance and individual performance criteria.

### Share incentives

The Committee believes that long term share awards should form a key part of the remuneration policy.

Michael Corcoran was awarded 5,625,000 options in November 2015, 1,406,250 of which vested in November 2016, but were not exercised. The options have an exercise period of ten years from date of grant.

Details of awards held, granted and exercised by the current Directors in the Group's share plans are detailed below:

Director	Balance held at 1 January 2016	Number of share options granted in year	Number of share options exercised in year	Number of share options lapsed in year	Balance held at 31 December 2016
Michael Corcoran	5,625,000	5,050,000	—	—	10,675,000
Justine Shaw	2,450,000	1,000,000	562,500	200,000	2,687,500

# Directors' remuneration report continued

## Current share plans

### Matching Share Plan

Under the MSP, which was introduced in June 2015, the then Executive Directors and certain members of the senior management team were given the opportunity to purchase shares for consideration of 3 pence per share (the 'Investment Shares'). The price of 3 pence per share reflected that paid by the external investors at the time of the share placing in February 2015. For each Investment Share purchased options over three 'Matching Shares' were awarded. These options, which have an exercise price of 1 penny, will vest over a three-year period - 25% vesting on the first anniversary of grant, 25% on the second anniversary and 50% on the third anniversary. The first tranche of awards made in June and November 2015 vested during the year. No performance conditions apply to these options, but participants must retain all of their Investment Shares for the full three-year period, otherwise any unexercised options will lapse. No further awards will be made under the MSP.

### 2016 Long Term Incentive Plan

This plan was introduced in January 2016, and options were awarded to the Executive Directors and certain members of the senior management team. The options will vest on the third anniversary of the date the award was granted, subject to the achievement of specified performance targets.

Clawback and malus provisions apply to both the above plans.

## Legacy share plans

### 2010 Long Term Incentive Plan

Awards made under this plan on 31 December 2013 had a normal vesting period of three years from date of grant, dependent upon two interdependent performance conditions - the Company's total shareholder return (TSR) ranked against the TSR of a comparator group and the absolute average share price over a three-year period from date of grant. The Committee has determined that these performance conditions were not achieved and the options therefore lapsed on 31 December 2016.

## Directors' shareholdings (audited information)

The Directors who were in post at the end of the year under review held the following beneficial interests in the Company's ordinary shares:

	Ordinary shares held at 31 December 2016	Ordinary shares held at 31 December 2015	Interests in unexercised shares under incentive plans
Jason Walsh <sup>1</sup>	50,000	N/A	—
Michael Corcoran	1,875,000	1,875,000	10,675,000
Justine Shaw <sup>1</sup>	999,312	N/A	2,687,500

1. The shareholdings of Jason Walsh and Justine Shaw are those held prior to their appointment as Directors.

There have been no purchases of shares by Directors since 31 December 2016 to the date of this report.

The market price of ordinary shares of the Company as at 31 December 2016 was 14.50 pence and the range during the year was 5.33 pence to 16.56 pence.

## Mark Hamlin

Chairman of the Remuneration Committee

23 March 2017

## 2010 Restricted Stock Plan (RSP)

The RSP is a non-performance-based share plan aimed at incentivising the second tier of management across the Group and Executive Directors are not eligible to participate. Employment is the only performance condition attached to this plan. All awards made under the plan are fully vested.

## UK Save as You Earn Scheme (SAYE)

The Company launched a SAYE (ShareSAVE Plan) in September 2010 and made an additional offer in September 2011. All employees in the UK, including Executive Directors, were eligible to participate in the ShareSAVE Plan. Options were granted under this scheme in September 2010 at an option price of 198 pence and in September 2011 at an option price of 125 pence, in each case representing a discount of 20% to the market value applicable at the time of grant. Consistent with HMRC rules, the scheme is not subject to any performance criteria other than employment. None of the current Directors hold investments under this scheme.

## Employee Share Ownership Plans

The Company has two further legacy share plans introduced prior to the IPO in 2010 (the 2005 Plan and the 2008 Plan) wherein options were exercisable as follows: 50% on 24 March 2010, 25% on 24 March 2011 and 25% on 24 March 2012. There are no performance conditions attached to these shares other than relating to employment.

## Shareholder dilution

In line with the ABI guidelines, the rules of the above incentive schemes provide that commitments to issue new shares or reissue treasury shares, when aggregated with awards under all of the Company's other schemes, must not exceed 10% of the issued ordinary share capital in any rolling ten-year period commencing on Admission of the Group's shares to AIM.

Newly issued shares or shares held in the EBT are currently used to satisfy the exercise of all employee and Executive options.

# Directors' report

The Directors present their Annual Report and audited financial statements of the Group for the year ended 31 December 2016.

## Principal activities

The principal activity of the Group is the provision of assistance products. Further information on the Group's business can be found in the following sections of the Annual Report, which are incorporated by reference into this report:

- the Strategic report on pages 6 to 28;
- the Corporate governance report on pages 31 to 35;
- the Report of the Audit Committee on pages 36 and 37; and
- the Directors' remuneration report on pages 38 to 40.

## Directors

The Directors who served throughout the year, except as noted, are shown in the table below.

Sir Richard Laphorne	Chairman	(appointed 5 May 2016)
Mark Hamlin	Non-Executive Director	(appointed 5 May 2016)
Nick Cooper	Non-Executive Director	(appointed 5 May 2016)
Jason Walsh	Chief Executive Officer	(appointed 18 May 2016)
Michael Corcoran	Chief Financial Officer	
Justine Shaw	People & Culture Director	(appointed 31 July 2016)
Roger Canham	Chairman	(resigned 5 May 2016)
Stephen Callaghan	Chief Executive Officer	(resigned 5 May 2016)
Shaun Astley-Stone	Non-Executive Director	(resigned 5 May 2016)
Abhai Rajguru	Non-Executive Director	(resigned 5 May 2016)
Ruth Evans	Non-Executive Director	(resigned 10 February 2016)

Under the Company's Articles of Association any Director who has been a Director at each of the preceding two annual general meetings and who was not appointed or re-appointed by the Company in general meeting at, or since, either such meeting, shall retire by rotation. Accordingly, only Jason Walsh and Justine Shaw who have been appointed by the Directors since the last AGM will seek election for the first time at the forthcoming AGM.

Brief biographical details for each Director are set out on page 29. Details of Committee memberships are set out on pages 35 to 40 of the corporate governance section.

Details of Directors' beneficial interests in and options over the Company's shares are set out in the Directors' remuneration report on pages 38 to 40.

## Insurance

The Company has appropriate insurance cover in place in respect of any potential litigation against Directors.

## Dividends

The Directors recommend that no final dividend be paid in respect of 2016. No dividends have been paid in either the current or prior year.

## Annual General Meeting

The AGM of the Company is to be held on 19 May 2017. The notice of the AGM and an explanation of any non-routine business are set out in the explanatory circular that accompanies this Annual Report. The notice of the meeting specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be proposed at the meeting.

## Change of control provisions

Some agreements to which the Company or its subsidiaries are a party may be at risk of termination by counterparties in certain restricted circumstances in the event of a change of control of the Company. The Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Under the terms of the 2016 LTIP, in the event of a sale of the Company before the end of the performance period, the whole award will be subject to the share price performance targets set out in that award, and the award will vest to the extent to which the offer price falls within the range of share price performance targets ('Performance Condition Adjustment'). Michael Corcoran has received an undertaking that, if and to the extent that he receives an award under the LTIP for the three-year performance periods commencing 1 January 2017 and 1 January 2018, such awards will include an equivalent Performance Condition Adjustment.

## Capital structure

Details of the issued share capital, together with movements in the Company's issued share capital for the period, can be found in note 29 to the consolidated financial statements. The Company's capital comprises ordinary shares of 1 penny each, which carry no right to fixed income. Each fully paid share carries the right to one vote at a general meeting of the Company.

The Company also has deferred shares of 9 pence per share, which carry no voting rights, no rights to dividend and only very limited rights on a return of capital.

Details of the Group's employee share schemes are set out in note 30.

# Directors' report continued

## Substantial shareholdings

On 31 December 2016, the Company had been notified, in accordance with the Disclosure and Transparency Rules of the FCA, of the notifiable interests in the ordinary share capital of the Company set out in the table below. As far as the Directors are aware, as at 31 December 2016 no person had a beneficial interest in 3% or more of the voting share capital except for the following:

Name	Ordinary shares (thousands)	%
Funds managed by Phoenix Asset Management Partners Limited	335,327	39.15%
Milton Magna Limited (a company controlled by Mr Hamish Ogston)	264,144	30.84%
Mr Hamish Ogston	96,332	11.25%
Schroder plc	85,759	10.01%

Mr Hamish Ogston holds a beneficial interest in 42.09% of the issued shares of the Company. Under the terms of a Relationship Agreement between Mr Ogston and the Company dated 22 December 2014 and effective from the Company's admission to AIM, for so long as Mr Ogston and any person or corporate body connected to him (a 'Controlling Shareholder') holds, in aggregate, 30% or more of the ordinary shares or the voting rights attaching to the shares, Mr Ogston shall not and shall procure that each Controlling Shareholder shall not:

- vote in favour of, or propose any resolution to amend the Articles of Association which would be contrary to the principle of the independence of the Company from the shareholder or any of the Controlling Shareholders;
- take any action which precludes any member of the Group from carrying on its business independently of Mr Ogston or any Controlling Shareholder; or
- take any action (or omit to take any action) to prejudice the Company's status as a Company admitted to AIM or its suitability for admission to AIM or the Company's compliance with the AIM Rules, other than in the circumstances of a takeover or merger of the Company.

## Employee Benefit Trust

The total number of ordinary 1 penny shares held by the EBT as at 31 December 2016 was 4,191,126 (2015: 1,763,000).

## 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.

## Employees

The Group is committed to employment policies that provide equality of opportunity to all employees based only on their relevant skills and capabilities and that ensure no employee or applicant is treated unfairly on any grounds, including ethnic origin, religion, gender, sexual orientation or disability. Every possible support will be offered to any employee who becomes disabled during the course of their employment, with reasonable adjustments made wherever possible.

The Group communicates with employees by means of regular business updates and weekly CEO blogs on the intranet. The CEO also holds informal 'in-touch' sessions with small groups of employees. In the UK an Employee Representative Body (ERB) comprising nominated representatives of each area of the business, meets monthly with key members of the leadership team to share ideas and feedback, to receive information about the business and, when required, to act as a joint consultative group. Outputs of ERB meetings are published on the intranet.

## Auditor

Each person who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make him/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Deloitte LLP has expressed its willingness to continue in office as Auditor. Accordingly, a resolution to reappoint Deloitte LLP will be proposed at the AGM.

By order of the Board

## Lorraine Beavis

Company Secretary  
23 March 2017

# Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report & Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and Article 4 of the IAS Regulation and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the accounts until they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing the consolidated financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

In preparing the Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the Financial Reporting Standard 101 'Reduced Disclosure Framework' has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the Company financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit/loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report & Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

**Jason Walsh**  
Chief Executive Officer  
23 March 2017

**Michael Corcoran**  
Chief Financial Officer  
23 March 2017

# Independent Auditor's report

To the members of CPPGroup Plc

## Opinion on financial statements of CPPGroup Plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

The financial statements that we have audited comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and Company balance sheets;
- the consolidated and Company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 34.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

## Summary of our audit approach

### Key risks

The key risks that we identified in the current year were:

- Cessation of commission payments to certain Business Partners (BPs) in the UK
- Recognition and impairment of capitalised costs
- Revenue recognition
- Going concern

### Materiality

The materiality that we used in the current year was £820,000 which was determined on the basis of 1.2% of revenue.

### Scoping

The Group audit scope involved performing full audits on the Group's significant components in the UK and Ireland, India and Spain, with audit of specified account balances in the components of Italy and Turkey. In aggregate our testing covered more than 88% of the Group's revenue, 95% of the Group's profit/loss before tax and 93% of the Group's net assets.

### Significant changes in our approach

In the current year we included the cessation of commissions to certain UK BPs and recognition and impairment of capitalised costs as key risks as they involve significant judgement from Management as a result of the decision to cease the payment of commissions to certain BPs in the UK and to cease the IT development with an external partner in preference for an in-house development project respectively.

The prior year risk relating to regulatory provisions is not considered a key risk this year as the provision has been utilised through redress payments down to a level where no significant level of judgement is involved.

Since the prior year we have increased the level of work performed on the component in India to a full scope audit as its revenue contribution to the Group has grown significantly in the year. We have reduced the level of work performed on the component in Italy from a full scope audit last year to an audit of specified account balances.

## Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

We are required to state whether we have anything material to add or draw attention to in relation to:

- the Directors' confirmation on page 26 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 27 and 28 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in note 3 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the Directors' explanation on page 42 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

*We confirm that we have nothing material to add or draw attention to in respect of these matters.*

*We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.*

## Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards.

*We confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.*

## Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

## Cessation of commission payment to certain BPs in the UK

### Risk description

In 2015, the Group made the decision to cease the payment of commissions to certain BPs in the UK. The cessation of commission payments has been agreed with a number of the affected BPs, although the position with other BPs is not yet finalised.

We identified a key risk with regards to the judgements made by Management in relation to the timing of de-recognition of contractual liabilities, the quantification of costs relating to the settlement of contractual commission obligations with BPs and the disclosure of the matter under the requirements of accounting standard *IAS 37 – Provisions, Contingent Liabilities and Contingent Assets*.

Reference to this matter is included in the critical accounting judgements and key sources of estimation uncertainty note on page 59, the provision note on page 76 and in the Report of the Audit Committee on page 36. The Group has presented a provision in respect of this matter within trade payables and accruals.

# Independent Auditor's report continued

## To the members of CPPGroup Plc

### Cessation of commission payment to certain BPs in the UK continued

How the scope of our audit responded to the risk	<p>We understood Management's process by undertaking a walk-through to identify the key controls relating to this matter.</p> <p>We assessed the design and implementation of the governance review control in respect of the key judgements made.</p> <p>We assessed the reasonableness of Management's judgement by reviewing the legal contracts with the BPs and the correspondence received since the cessation of commission payments was communicated.</p> <p>We assessed the quantification of potential exposure by independently determining a range of reasonable possible outcomes and reviewed the application of the limited disclosures made in the Annual Report &amp; Accounts for compliance with the requirements of <i>IAS 37 - Provisions, Contingent Liabilities and Contingent Assets</i> for such legal matters.</p>
Key observations	We found the accounting and limited disclosure due to the risk of legal prejudice in relation to this matter to be in line with the requirements of <i>IAS 37 - Provisions, Contingent Liabilities and Contingent Assets</i> .

### Recognition and impairment of capitalised costs

Risk description	<p>During 2015 and 2016, development was ongoing to replace the current policy administration system with a customised 'off the shelf' package to be delivered by a third party. In September 2016, the Group ceased the IT development with the third party in favour of an in-house solution resulting in an impairment charge and contract termination costs.</p> <p>Management has booked an impairment charge of £6.4m against the capitalised software costs, with the residual asset of £1.3m being regarded as a reusable alternative software platform to generate benefit to the Group.</p> <p>We identified a key risk with regards to the judgements taken by Management in relation to the value of costs which meet the criteria for capitalisation detailed in <i>IAS 38 - Intangible Assets</i> and have reusable value in the alternative software platform.</p> <p>The Group's associated accounting policies are detailed on page 57 with detail about judgements in applying accounting policies and critical accounting estimates on page 60 and in the Report of the Audit Committee on page 37.</p>
How the scope of our audit responded to the risk	<p>We understood Management's process for assessing the re-usable element of capitalised costs by undertaking a walk-through to identify the key controls.</p> <p>We assessed the design and implementation of the governance review control in respect of key judgements.</p> <p>We reviewed the judgements made by Management for each work stream in respect of the costs capitalised against the recognition and measurement criteria under accounting standard <i>IAS 38 - Intangible Assets</i> by testing a sample of costs to underlying supporting evidence.</p> <p>We assessed if the alternative software platform was likely to be complete and the value of future benefits expected to be generated to the Group through review of internal meeting minutes and Group forecasts.</p> <p>We evaluated the value of costs that are capitalised in the balance sheet against the aggregate results of our assessment.</p>
Key observations	We consider the value of capitalised costs presented in intangible assets to be reasonable.

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## Revenue recognition

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<b>Risk description</b>	<p>There are significant judgements involved in applying the Group's revenue recognition policies across multiple products, in particular:</p> <ul style="list-style-type: none"><li>• determining the revenue recognition policy for new products and where considered appropriate implementing the deferral of revenue where the Group has future servicing obligations to customers; and</li><li>• determining revenue refund provisions for customers who cancel during the 'cooling off' periods on buying or renewing the Group's products, calculated on the basis of historical experience.</li></ul> <p>The renewals and cancellations of products are dependent on automated controls operating effectively. The Group's associated accounting policies are detailed on page 56 and are discussed in the Report of the Audit Committee on page 36.</p>
<b>How the scope of our audit responded to the risk</b>	<p>We understood Management's process for recognising revenue by undertaking a walk-through to identify the key controls, and data flows.</p> <p>We assessed the design and implementation of key manual controls used to reconcile journal entries to underlying customer databases and cash received in the bank.</p> <p>We tested the operating effectiveness of centrally managed Group-wide key automated controls in the core administration systems used to trigger renewal and refund transactions and to generate journal entries to the general ledger.</p> <p>We also assessed the design and implementation of the governance review of revenue recognition policies for new products launched.</p> <p>We independently re-calculated the Group's material revenue streams from an independent extraction of source policyholder data and substantively tested a sample of revenue entries to underlying supporting evidence.</p> <p>We evaluated the appropriateness of revenue recognition policies applied by reference to the terms and conditions of the underlying products and tested the reconciliation of recorded revenue against cash collection.</p> <p>We challenged the judgements made by Management in calculating the cancellation provisions through analysis of post year end experience and assessment of whether there were indicators of additional provision required from our work on other areas of the audit.</p>
<b>Key observations</b>	We determined the accounting for revenue to be acceptable.
<b>Going concern</b>	
<b>Risk description</b>	<p>As a result of the financial impact of the historical customer redress scheme, continuing restrictions on new regulated business sales in the UK, and the requirement to trade in line with expectations and maintain compliance with lending covenants, the going concern status of the Group has continued to be identified as a key risk.</p> <p>There continues to be a medium term strategic risk as the Group is in the early stages of implementing a new strategy and launching global products. As a result, whilst this is embedded, the Group has some dependency on cash generated by its renewal book. The sustainability of the business beyond the going concern period will depend on the mitigation of the medium term strategic risk through the successful implementation of a viable strategy.</p> <p>Management present their considerations in relation to going concern in the Directors' report on page 42 and accounting policies in note 3. Going concern is also discussed in the Report of the Audit Committee on page 36.</p>

# Independent Auditor's report continued

## To the members of CPPGroup Plc

### Going concern continued

How the scope of our audit responded to the risk	<p>We understood Management's process for preparing the Group's forecasts and going concern paper by undertaking a walk-through to identify the key controls and data flows.</p> <p>We assessed the design and implementation of the governance review control in respect of key judgements.</p> <p>We challenged the underlying forecast and budget assumptions including expected growth rates and key factors such as renewal rates with reference to historical information.</p> <p>We also evaluated historical forecasting accuracy, the sensitivity of the going concern status to key assumptions such as new product sales, anticipated cost savings and new business contributions, current and forecast compliance with the terms of the Group's borrowing facilities and the impact of other uncertainties including the remaining residual redress risk.</p> <p>We also reviewed initial correspondence with the Group's finance provider to assess if there are any indications of uncertainties over the renewal of the Group's finance facility that matures within the next twelve months.</p> <p>We reviewed the disclosure regarding the Directors' preparation of financial statements on a going concern basis in note 3 to the financial statements.</p>
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Key observations	We consider the disclosure regarding the Directors' preparation of financial statements on a going concern basis noted in the accounting policies in note 3 to be reasonable.
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These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£820,000 (2015: £880,000).
Basis for determining materiality	Below 1.2% (2015: 1.2%) of revenue.
Rationale for the benchmark applied	We used revenue to determine the materiality because profit/loss before tax has been unusually volatile and is not considered to be the key benchmark at the current time.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £16,400 (2015: £17,600), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

### An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

Based on that assessment, we focused our Group audit scope primarily on the audit work at five locations (the United Kingdom and Ireland, India, Spain, Italy and Turkey). Three of these were subject to a full audit (2016: United Kingdom and Ireland, India and Spain; 2015: United Kingdom and Ireland, Spain and Italy), whilst the remaining two (2016: Turkey and Italy; 2015: Turkey and India) were subject to an audit of specified account balances where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations.

These locations represent the principal business units and account for 93% (2015: 95%) of the Group's net assets, 88% (2015: 91%) of the Group's revenue and 95% (2015: 98%) of the Group's profit/loss before tax.

They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the five locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from £110,000 to £430,500 (2015: £153,000 to £528,000).

## An overview of the scope of our audit continued

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Group audit team continued to follow a programme of planned visits that has been designed so that a senior member of the Group audit team visits each of the locations where the Group audit scope was focused at least once every two years. We included a location visit to India in our planning of the audit; in 2015 we visited Italy. In years when we do not visit a significant component we will include the component audit partner and team in our team briefing, discuss their risk assessment and review audit work performed, and findings identified, by component audit teams.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

## Matters on which we are required to report by exception

### Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

*We have nothing to report in respect of these matters.*

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

### Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made.

*We have nothing to report arising from these matters.*

### Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

*We confirm that we have not identified any such inconsistencies or misleading statements.*

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

## Other matters

### Corporate governance statement

Although not required to do so, the Directors have voluntarily chosen to make a corporate governance statement detailing the extent of their compliance with the UK Corporate Governance Code. We reviewed the part of the Corporate Governance report relating to the Company's compliance with certain provisions of the UK Corporate Governance Code.

*We have nothing to report arising from these matters.*

# Independent Auditor's report continued

To the members of CPPGroup Plc

## Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Peter Birch FCA (Senior Statutory Auditor)**

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Leeds, UK

23 March 2017

# Consolidated income statement

For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Continuing operations</b>			
Revenue	5	<b>73,649</b>	76,771
Cost of sales		(27,737)	(32,346)
<b>Gross profit</b>		<b>45,912</b>	44,425
Administrative expenses		(47,693)	(21,443)
<b>Operating (loss)/profit</b>		<b>(1,781)</b>	22,982
Analysed as:			
Underlying operating profit	5	<b>8,365</b>	6,863
Exceptional items	6	(9,172)	17,777
MSP charges	30	(974)	(1,658)
Investment revenues	10	<b>231</b>	282
Finance costs	11	(325)	(1,362)
<b>(Loss)/profit before taxation</b>		<b>(1,875)</b>	21,902
Taxation	12	<b>1,342</b>	(3,374)
<b>(Loss)/profit for the year from continuing operations</b>		<b>(533)</b>	18,528
<b>Discontinued operations</b>			
Profit for the year from discontinued operations	15	<b>579</b>	2,309
<b>Profit for the year attributable to equity holders of the Company</b>	7	<b>46</b>	20,837
		Pence	Pence
<b>Basic (loss)/earnings per share</b>			
Continuing operations	14	<b>(0.06)</b>	2.42
Discontinued operations	14	<b>0.07</b>	0.30
Total		<b>0.01</b>	2.72
		Pence	Pence
<b>Diluted (loss)/earnings per share</b>			
Continuing operations	14	<b>(0.06)</b>	2.41
Discontinued operations	14	<b>0.07</b>	0.30
Total		<b>0.01</b>	2.71

# Consolidated statement of comprehensive income

For the year ended 31 December 2016

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

# Balance sheets

As at 31 December 2016

	Note	Consolidated		Company	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>Non-current assets</b>					
Intangible assets	16	<b>2,136</b>	4,825	—	—
Property, plant and equipment	17	<b>5,316</b>	3,502	—	—
Investments	18	—	—	<b>15,538</b>	15,359
Deferred tax asset	27	<b>818</b>	652	<b>346</b>	165
		<b>8,270</b>	8,979	<b>15,884</b>	15,524
<b>Current assets</b>					
Insurance assets	19	<b>62</b>	317	—	—
Inventories	20	<b>40</b>	43	—	—
Trade and other receivables	21	<b>16,991</b>	12,106	<b>71,599</b>	66,385
Cash and cash equivalents	22	<b>28,250</b>	39,810	—	4,843
		<b>45,343</b>	52,276	<b>71,599</b>	71,228
<b>Total assets</b>		<b>53,613</b>	61,255	<b>87,483</b>	86,752
<b>Current liabilities</b>					
Insurance liabilities	23	<b>(863)</b>	(1,189)	—	—
Income tax liabilities		<b>(1,946)</b>	(2,483)	—	—
Trade and other payables	24	<b>(38,099)</b>	(42,629)	<b>(21,392)</b>	(19,495)
Borrowings	25	<b>(1,391)</b>	—	<b>(1,604)</b>	—
Provisions	26	<b>(1,143)</b>	(2,254)	—	—
		<b>(43,442)</b>	(48,555)	<b>(22,996)</b>	(19,495)
<b>Net current assets</b>		<b>1,901</b>	3,721	<b>48,603</b>	51,733
<b>Non-current liabilities</b>					
Borrowings	25	<b>80</b>	(2,191)	—	—
Deferred tax liabilities	27	<b>(103)</b>	(308)	—	—
Provisions	26	—	(186)	—	—
		<b>(23)</b>	(2,685)	—	—
<b>Total liabilities</b>		<b>(43,465)</b>	(51,240)	<b>(22,996)</b>	(19,495)
<b>Net assets</b>		<b>10,148</b>	10,015	<b>64,487</b>	67,257
<b>Equity</b>					
Share capital	29	<b>23,975</b>	23,939	<b>23,975</b>	23,939
Share premium account		<b>45,225</b>	45,225	<b>45,225</b>	45,225
Merger reserve		<b>(100,399)</b>	(100,399)	—	—
Translation reserve		<b>929</b>	991	—	—
Equalisation reserve	23	—	6,243	—	—
ESOP reserve		<b>14,516</b>	13,093	<b>7,890</b>	6,467
Retained earnings/(accumulated losses)		<b>25,902</b>	20,923	<b>(12,603)</b>	(8,374)
<b>Total equity attributable to equity holders of the Company</b>		<b>10,148</b>	10,015	<b>64,487</b>	67,257

Approved by the Board of Directors and authorised for issue on 23 March 2017 and signed on its behalf by:

**Jason Walsh**  
Chief Executive Officer

**Michael Corcoran**  
Chief Financial Officer

Company registration number: 07151159

# 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/(accumulated losses) £'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	23	—	—	—	—	(1,244)	—	1,244	—
Current tax charge on equalisation reserve movement	12	—	—	—	—	—	—	(252)	(252)
Equity settled share-based payment charge	30	—	—	—	—	—	1,466	—	1,466
Deferred tax on share-based payment charge	12	—	—	—	—	—	—	86	86
Movement in EBT shares	29	—	—	—	—	—	(264)	—	(264)
Exercise of share options	29	1	(1)	—	—	—	—	(1)	(1)
Other ordinary share issues	29	6,812	11,935	—	—	—	—	—	18,747
<b>At 31 December 2015</b>		<b>23,939</b>	<b>45,225</b>	<b>(100,399)</b>	<b>991</b>	<b>6,243</b>	<b>13,093</b>	<b>20,923</b>	<b>10,015</b>
Total comprehensive expense		—	—	—	(62)	—	—	46	(16)
Movement on equalisation reserve	23	—	—	—	—	(6,243)	—	6,243	—
Current tax charge on equalisation reserve movement	12	—	—	—	—	—	—	(1,249)	(1,249)
Equity settled share-based payment charge	30	—	—	—	—	—	1,486	—	1,486
Deferred tax on share-based payment charge	12	—	—	—	—	—	—	(11)	(11)
Movement in EBT shares	29	—	—	—	—	—	(63)	—	(63)
Exercise of share options	29	36	—	—	—	—	—	(50)	(14)
<b>At 31 December 2016</b>		<b>23,975</b>	<b>45,225</b>	<b>(100,399)</b>	<b>929</b>	<b>—</b>	<b>14,516</b>	<b>25,902</b>	<b>10,148</b>

# Company statement of changes in equity

For the year ended 31 December 2016

	Note	Share capital £'000	Share premium account £'000	ESOP reserve £'000	Accumulated losses £'000	Total £'000
At 1 January 2015		17,126	33,291	5,265	(3,914)	51,768
Total comprehensive expense		—	—	—	(4,545)	(4,545)
Equity settled share-based payment charge	30	—	—	1,466	—	1,466
Deferred tax on share-based payment charge	12	—	—	—	86	86
Movement in EBT shares	29	—	—	(264)	—	(264)
Exercise of share options	29	1	(1)	—	(1)	(1)
Other ordinary share issues	29	6,812	11,935	—	—	18,747
<b>At 31 December 2015</b>		<b>23,939</b>	<b>45,225</b>	<b>6,467</b>	<b>(8,374)</b>	<b>67,257</b>
Total comprehensive expense		—	—	—	(4,168)	(4,168)
Equity settled share-based payment charge	30	—	—	1,486	—	1,486
Deferred tax on share-based payment charge	12	—	—	—	(11)	(11)
Movement in EBT shares	29	—	—	(63)	—	(63)
Exercise of share options	29	36	—	—	(50)	(14)
<b>At 31 December 2016</b>		<b>23,975</b>	<b>45,225</b>	<b>7,890</b>	<b>(12,603)</b>	<b>64,487</b>

# Consolidated cash flow statement

For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Net cash used in operating activities</b>	31	<b>(7,209)</b>	(1,360)
<b>Investing activities</b>			
Interest received		<b>243</b>	282
Purchases of property, plant and equipment		<b>(592)</b>	(194)
Purchases of intangible assets		<b>(3,812)</b>	(4,435)
<b>Net cash used in investing activities</b>		<b>(4,161)</b>	(4,347)
<b>Financing activities</b>			
Repayment of bank loans		<b>(1,000)</b>	(12,000)
Repayment of the Commission Deferral Agreement		—	(1,304)
Proceeds from the Second Commission Deferral Agreement		—	1,304
Interest paid		<b>(230)</b>	(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		<b>(76)</b>	18,980
<b>Net cash (used in)/from financing activities</b>		<b>(1,306)</b>	5,114
<b>Net decrease in cash and cash equivalents</b>		<b>(12,676)</b>	(593)
Effect of foreign exchange rate changes		<b>1,116</b>	(196)
Cash and cash equivalents at 1 January		<b>39,810</b>	40,599
<b>Cash and cash equivalents at 31 December</b>	22	<b>28,250</b>	39,810

# Notes to the financial statements

## 1. General information

CPPGroup Plc (the Company) is a company incorporated in England and Wales under the Companies Act 2006 and domiciled in the United Kingdom. Its registered office is Holgate Park, York YO26 4GA. The Group comprises CPPGroup Plc and its subsidiaries. The Group's principal activity during the year was the provision of assistance products.

The consolidated and Company financial statements are presented in pounds sterling, the functional currency of the Company. Foreign operations are included in accordance with the policies set out in note 3.

The Company has taken advantage of the exemption in the Companies Act 2006, Section 408, not to present its own income statement. The Company reported a loss after tax for the year of £4,168,000 (2015: £4,545,000). There have been no dividends received from subsidiary undertakings in either the current or prior year.

## 2. Adoption of new Standards

### New Standards adopted

The following Standards and Interpretations have become effective and have been adopted in these financial statements. Their adoption has not had any material impact on the Group. No Standards or Interpretations have been adopted early in these 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

### Standards not yet applied

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and in some cases have not yet been adopted by the EU):

Standard/Interpretation	Subject	Period first applies (year ended)
IFRS 9	Financial Instruments	31 December 2018
IFRS 15	Revenue from Contracts with Customers	31 December 2018
IFRS 16	Leases	31 December 2019
IFRS 17	Insurance contracts	31 December 2021

The Directors are in the process of assessing the future impacts of adoption of these Standards and Interpretations.

## 3. Significant accounting policies

### Basis of preparation

These consolidated financial statements on pages 51 to 86 present the performance of the Group for the year ended 31 December 2016. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS and therefore comply with Article 4 of the EU IAS Regulation. The consolidated financial statements have also been prepared under the historical cost basis.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council (FRC). Accordingly, the financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the FRC incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and July 2016. The Company financial statements have also been prepared under the historical cost basis.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available in relation to standards not yet effective, presentation of a cash flow statement, share-based payments and related party transactions.

### Going concern

The Board of Directors has, at the time of approving the consolidated financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus it continues to adopt the going concern basis of accounting in preparing the consolidated financial statements. Further details of the Directors' assessment are set out in the Directors' report on page 42.

### Basis of consolidation

The consolidated financial statements include the results, cash flows, assets and liabilities of the Company and the entities under its control. Control is achieved when the Company has power over the investee; is exposed or has rights to variable return from its involvement with the investee; and has the ability to use its power to affect its returns.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal. Adjustments are made, where necessary, to the financial statements of subsidiaries to bring their accounting policies into line with Group policies. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

# Notes to the financial statements continued

## 3. Significant accounting policies continued

### Exceptional items

Items which are exceptional, being material in terms of size and/or nature, are presented separately from underlying business performance in the consolidated income statement. The separate reporting of exceptional items helps provide an indication of the Group's underlying business performance.

### Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### Share-based payments

Prior to the Company's shares being transferred to AIM, the Group issued share options to certain of its employees through the Executive Share Option Plan (ESOP), the 2010 Long Term Incentive Plan (2010 LTIP), the Restricted Stock Plan (RSP), the Deferred Share Bonus Plan (DSBP) and the ShareSAVE Plan. Costs in relation to these plans are presented within administrative expenses in the consolidated income statement.

Subsequent to the transfer to AIM the Group has issued options under the Matching Share Plan (MSP) and the 2016 Long Term Incentive Plan (2016 LTIP). Costs in relation to the MSP and 2016 LTIP are disclosed within administrative expenses; however, MSP costs are not included in underlying operating profit due to the one-off nature of the plan.

Share options are treated as equity settled if the Group has the ability to determine whether to settle exercises in cash or by the issue of shares. Share options are measured at fair value at the date of grant, based on the Group's estimate of shares that will eventually vest, and adjusted for the effect of non-market based vesting conditions each year. Non-market vesting conditions include a change in control of the Group and are considered by the Directors at each year end. The fair value of equity settled share-based payments is expensed in the consolidated income statement on a straight line basis over the vesting period, with a corresponding increase in equity, subject to adjustment for forfeited options.

The fair value of share options is measured by use of the Black Scholes option pricing model and the Monte Carlo simulation model.

### Assistance products

#### Recognition of revenue

Revenue attributable to the Group's assistance products is generally comprised of the prices paid by customers for the assistance products net of underwriting fees and exclusive of any sales taxes.

Revenue is generally recorded by the Group under two categories: as intermediary in the policy sale and administration process and for ongoing services where an obligation exists to provide future services, typically claims management and policy administration services. Fees receivable in the Group's role as intermediary are recognised on inception of the arrangement. Claims management and policy administration service fees are recognised over the period of the underlying contract. In these situations the amount deferred is sufficient to cover future claims handling and service costs and an appropriate profit margin. The assessment of future costs and expected number of incidences is validated by reference to experience of historical actual costs and volume. Provisions for cancellations are made at the time revenue is recorded and are deducted from revenue.

For certain other of the Group's assistance products, there are no introduction fees. In these arrangements, revenue is comprised of the subscriptions received from members, net of underwriting fees and exclusive of any sales taxes. These subscriptions are recognised over the life of the service provided.

Wholesale revenue is generally comprised of fees billed directly to Business Partners, exclusive of any sales taxes, and is recognised as those fees are earned.

Non-policy revenue is comprised of fees billed directly to customers or Business Partners for services provided under separate non-policy based arrangements. Such revenue is recognised, exclusive of any sales taxes, as those fees are earned.

#### Cost of sales

Cost of sales attributable to the Group's assistance products represents the costs of acquiring customers and includes marketing costs and commissions paid to Business Partners. Commissions are recognised in line with the revenue to which they relate. Marketing costs include all telemarketing, direct mail and fulfilment costs. These costs are expensed as incurred.

Cost of sales attributable to the assistance elements of the Group's wholesale products represents the costs of providing those services, including third party costs. This includes all mailing and fulfilment costs which are expensed as incurred. Third party costs relate to relationships with suppliers who provide elements of the service and are expensed as incurred.

### **3. Significant accounting policies** continued

#### **Insurance contracts**

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when the Group agrees to compensate a policyholder if a specified uncertain future event (other than a change in a financial variable) adversely affects the policyholder.

#### **Recognition of revenue**

Revenue attributable to the Group's insurance contracts comprises premiums paid by customers and is exclusive of any sales taxes and similar duties. Premiums from insurance policies are recognised as revenue on a straight line basis over the life of the policy.

Provisions for unearned premiums are made, representing the part of gross premiums written that is estimated to be earned in the following or subsequent financial periods, on a straight line basis for each policy. The provision for unearned premiums is recorded under insurance liabilities on the consolidated balance sheet.

#### **Cost of sales**

Cost of sales attributable to the Group's insurance contracts consists of the costs, both direct and indirect, of acquiring insurance policies, commissions, reinsurance premiums payable to third parties and insurance claims incurred (net of reinsurance recoveries).

Acquisition costs are amortised over the life of the average policy. Acquisition costs which are expensed in the following or subsequent accounting periods are recorded in the balance sheet as deferred acquisition costs and include a proportionate allowance for commissions and post-sale set up costs incurred in respect of unearned premiums not amortised at the balance sheet date.

Reinsurance premiums are accounted for in the same accounting period as the premiums for the related business.

#### **Insurance claims provisions**

Claims incurred comprise the Group's claims payments and internal settlement expenses during the period together with the movement in the Group's provision for outstanding claims over the period, including an estimate for claims incurred but not reported. Differences between the estimated cost and subsequent settlement of claims are recognised in the consolidated income statement in the year in which they are settled.

Reinsurance recoveries are accounted for in the same accounting period as the related claims.

#### **Equalisation reserve**

An equalisation reserve was established in accordance with the requirements of the Equalisation Reserve Rules contained within the Prudential Sourcebook for Insurers and the General Prudential Sourcebook. Solvency II replaced these rules with effect from 1 January 2016 and does not require an equalisation reserve to be held. Equalisation reserve movements are recognised directly through equity.

#### **Discontinued operations**

Operations are classified as discontinued when they are either disposed of, are part of a single co-ordinated disposal plan or are to be abandoned and represent a major line of business or geographical area of operation.

#### **Intangible assets**

##### **Externally acquired software**

Externally acquired software is measured at purchase cost and is amortised on a straight line basis over its estimated useful life of four to five years.

##### **Internally generated software**

Internally generated intangible assets arising from the Group's software development programmes are recognised from the point at which the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally generated software is amortised on a straight line basis over its estimated useful life of four to five years.

#### **Contractual arrangements with third parties**

The Group's contractual arrangements can give rise to intangible assets. Where a contractual payment gives access to and control of future economic benefits, in the form of future renewal income streams, this amount is recognised as an asset and then amortised in line with the forecast benefits over the shorter of the contractual arrangement and the period when benefits are expected to arise.

# Notes to the financial statements continued

## 3. Significant accounting policies continued

### Intangible assets continued

#### Intangible assets arising on business combinations

Intangible assets arising from business combinations are initially stated at their fair values and amortised over their useful economic lives as follows:

Business Partner relationships: in line with the relevant projected revenues.

Business Partner relationships represent the present value of net revenues and costs expected to arise from contractual arrangements and non-contractual relationships with existing and pipeline Business Partners at the date of acquisition.

Amortisation of contractual arrangements with third parties is charged to cost of sales. Amortisation of all other intangible assets is charged to other administrative expenses.

### Impairment

Annually the Group reviews the carrying amounts of its intangible assets to determine whether there is indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted at their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit may be increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash generating unit in prior years.

### Property, plant and equipment

Property, plant and equipment are shown at purchase cost, net of accumulated depreciation.

Depreciation is provided at rates calculated to write off the costs, less estimated residual value, of each asset over its expected useful life as follows:

Freehold property: 40 years straight line

Computer systems: 4–5 years straight line

Furniture and equipment: 4 years straight line

Leasehold improvements: Over the shorter of the life of the lease and the useful economic life of the asset

Freehold land is not depreciated.

### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank deposits with a term from inception of three months or less, less bank overdrafts where there is a right to offset. Bank overdrafts are presented as current liabilities to the extent that there is no right to offset with cash balances in the same currency.

### Leases

Operating lease rentals are charged to the consolidated income statement on a straight line basis over the term of the lease.

### Taxation

Taxation on the profit or loss for the year comprises both current and deferred tax as well as adjustments in respect of prior years. Taxation is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the tax is also included within equity. Current tax is the expected tax payable on the taxable income for the year using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on all taxable and deductible temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiary undertakings except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group/Company intends to settle its current tax assets and liabilities on a net basis.

### **3. Significant accounting policies continued**

#### **Pension costs**

Pension costs represent contributions made by the Group to defined contribution pension schemes. These are expensed as incurred.

#### **Foreign currencies**

In preparing the financial information of the individual entities that comprise the Group, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences are classified as equity and transferred to the Group's translation reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign entities are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

On disposal of foreign operations, the cumulative amount of exchange differences previously recognised directly in equity for that foreign operation are transferred to the consolidated income statement as part of the profit or loss on disposal.

#### **Financial instruments**

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

#### **Financial assets**

Trade receivables, loans, other receivables or cash and cash equivalents that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recorded at fair value and subsequently at amortised cost using the effective interest method, less allowance for any estimated irrecoverable amounts.

#### **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

#### **Financial liabilities**

Financial liabilities, including borrowings, are initially measured at the proceeds received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

#### **Derivative financial instruments**

The Group's activities expose it to the financial risks of changes in interest rates. For material risks, the Group evaluates and considers the use of derivative financial instruments, principally interest rate swaps, to reduce its exposure to interest rate movements.

When derivatives are used they are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the consolidated income statement immediately unless the derivative is designated and effective as a hedging instrument.

### **4. Critical accounting judgements and key sources of estimation uncertainty**

The preparation of consolidated financial statements in accordance with IFRS requires the use of assumptions, estimates and judgements about future conditions. The use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future may differ from those reported. The key estimates and assumptions used in these consolidated financial statements are set out below.

#### **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 30.

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.

# Notes to the financial statements continued

## 4. Critical accounting judgements and key sources of estimation uncertainty continued

### Contractual matters continued

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 calculation of the Group's total tax charge necessarily involves a degree of estimation and judgement due to the complex tax regulations in the countries in which the Group operates, where filed tax positions may remain open to challenge by local tax authorities for several years. Corporation tax is therefore accrued on the Directors' assessment of specific tax law and likelihood of settlement.

Any changes to estimates of uncertain tax positions would be reflected through 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.

## 5. 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;
- Europe and Latin America (Spain, Italy, Germany, Turkey, Mexico and Portugal); and
- 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
<b>Year ended 31 December 2016</b>				
<b>Continuing operations</b>				
Revenue – external sales	<b>28,757</b>	<b>27,619</b>	<b>17,273</b>	<b>73,649</b>
Cost of sales	(2,782)	(13,129)	(11,826)	(27,737)
<b>Gross profit</b>	<b>25,975</b>	<b>14,490</b>	<b>5,447</b>	<b>45,912</b>
Depreciation and amortisation	(368)	(119)	(17)	(504)
Other administrative expenses excluding exceptional items and MSP charges	(24,086)	(9,170)	(3,787)	(37,043)
<b>Regional underlying operating profit</b>	<b>1,521</b>	<b>5,201</b>	<b>1,643</b>	<b>8,365</b>
Exceptional items (note 6)				(9,172)
MSP charges				(974)
<b>Operating loss</b>				<b>(1,781)</b>
Investment revenues				231
Finance costs				(325)
<b>Loss before taxation</b>				<b>(1,875)</b>
Taxation				1,342
<b>Loss for the year from continuing operations</b>				<b>(533)</b>
<b>Discontinued operations</b>				
Profit for the year from discontinued operations (note 15)				<b>579</b>
<b>Profit for the year</b>				<b>46</b>

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 has been charged to other regions for statutory purposes.

## 5. Segmental analysis continued

	UK and Ireland 2015 £'000	Europe and Latin America 2015 £'000	Asia Pacific 2015 £'000	Total 2015 £'000
<b>Year ended 31 December 2015</b>				
<b>Continuing operations</b>				
Revenue – external sales	42,979	25,455	8,337	76,771
Cost of sales	(14,939)	(12,479)	(4,928)	(32,346)
<b>Gross profit</b>	<b>28,040</b>	<b>12,976</b>	<b>3,409</b>	<b>44,425</b>
Depreciation and amortisation	(292)	(264)	(30)	(586)
Other administrative expenses excluding exceptional items and MSP charges	(25,759)	(8,118)	(3,099)	(36,976)
<b>Regional underlying operating profit</b>	<b>1,989</b>	<b>4,594</b>	<b>280</b>	<b>6,863</b>
Exceptional items (note 6)				17,777
MSP charges				(1,658)
<b>Operating profit</b>				<b>22,982</b>
Investment revenues				282
Finance costs				(1,362)
<b>Profit before taxation</b>				<b>21,902</b>
Taxation				(3,374)
<b>Profit for the year from continuing operations</b>				<b>18,528</b>
<b>Discontinued operations</b>				
Profit for the year from discontinued operations (note 15)				2,309
<b>Profit for the year</b>				<b>20,837</b>

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 has been charged to other regions for statutory purposes.

### Segment assets

	2016 £'000	2015 £'000
UK and Ireland	<b>30,454</b>	47,667
Europe and Latin America	<b>8,262</b>	8,074
Asia Pacific	<b>14,308</b>	4,065
<b>Total segment assets</b>	<b>52,754</b>	59,806
Assets relating to discontinued operations	<b>41</b>	797
Unallocated assets	<b>818</b>	652
<b>Consolidated total assets</b>	<b>53,613</b>	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
<b>Continuing operations</b>				
UK and Ireland	<b>3,780</b>	4,415	<b>478</b>	129
Europe and Latin America	<b>32</b>	21	<b>27</b>	48
Asia Pacific	—	—	<b>87</b>	17
<b>Additions from continuing operations</b>	<b>3,812</b>	4,436	<b>592</b>	194

# Notes to the financial statements continued

## 5. Segmental analysis continued

Revenues from major products

	2016 £'000	2015 £'000
<b>Continuing operations</b>		
Retail assistance policies	<b>68,013</b>	68,139
Retail insurance policies	<b>2,473</b>	5,384
Wholesale policies	<b>2,503</b>	2,344
Non-policy revenue	<b>660</b>	904
<b>Revenue from continuing operations</b>	<b>73,649</b>	76,771
<b>Discontinued operations</b>		
	<b>91</b>	13,107
<b>Consolidated total revenue</b>	<b>73,740</b>	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 ongoing product or service which is provided for a specified period of time; and 'non-policy revenue' is that which is not in connection with providing an ongoing service to policyholders for a specified period of time.

Disclosures in notes 8, 19 and 23 regarding accounting for insurance contracts provide information relating to all contracts within the scope of IFRS 4 and therefore include both retail insurance policies and the insurance components of retail assistance and wholesale policies.

## 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 is detailed below:

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

## Information about major customers

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

## 6. Exceptional items

	Note	2016 £'000	2015 £'000
Aborted IT platform and associated contractual settlement costs	7,16	<b>9,104</b>	—
Restructuring costs	7	<b>1,170</b>	711
Requisition costs		<b>532</b>	—
Reversal of freehold property impairment	17	<b>(1,534)</b>	—
Customer redress and associated costs	26	<b>(100)</b>	900
Commission deferral compromise and associated costs	7	—	(19,388)
<b>Exceptional charge/(credit) included in operating profit or loss</b>		<b>9,172</b>	(17,777)
Tax on exceptional items		<b>(436)</b>	2,344
<b>Total exceptional charge/(credit) after tax</b>		<b>8,736</b>	(15,433)
<b>Discontinued operations after tax</b>		—	(38)
		<b>8,736</b>	(15,471)

## 6. Exceptional items continued

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 17 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.

## 7. Profit for the year

Note	Continuing operations		Discontinued operations		Total	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Profit for the year has been arrived at after charging/(crediting):						
Operating lease charges	<b>1,556</b>	1,801	—	15	<b>1,556</b>	1,816
Net foreign exchange losses/(gains)	<b>89</b>	136	(12)	11	<b>77</b>	147
Depreciation of property, plant and equipment	17 <b>400</b>	450	—	15	<b>400</b>	465
Amortisation of intangible assets	16 <b>104</b>	391	—	—	<b>104</b>	391
Loss on disposal of property, plant and equipment	<b>20</b>	16	—	—	<b>20</b>	16
Customer redress and associated costs	26 (100)	900	—	—	(100)	900
Commission deferral compromise and associated costs	6 —	(19,388)	—	—	—	(19,388)
Restructuring costs/(credit)	6 <b>500</b>	9	—	(97)	<b>500</b>	(88)
Aborted IT platform and associated contractual settlement costs	6,16 <b>9,104</b>	—	—	21	<b>9,104</b>	21
Reversal of freehold property impairment	6,17 (1,534)	—	—	—	(1,534)	—
Share-based payments	30 <b>1,486</b>	1,466	—	—	<b>1,486</b>	1,466
Redundancy costs	9 <b>1,278</b>	702	<b>6</b>	23	<b>1,284</b>	725
Other staff costs	<b>24,652</b>	26,090	<b>31</b>	815	<b>24,683</b>	26,905
<b>Total staff costs</b>	<b>9</b> <b>27,416</b>	28,258	<b>37</b>	838	<b>27,453</b>	29,096
Write-down of inventories recognised as an expense	—	3	—	14	—	17
Movement on allowance for doubtful trade receivables	21 (5)	4	(59)	76	(64)	80

# Notes to the financial statements continued

## 7. Profit for the year continued

Fees payable to Deloitte LLP and its associates for audit and non-audit services are as follows:

	2016 £'000	2015 £'000
Payable to the Company's auditor for the audit of the Company and consolidated financial statements	<b>49</b>	54
Fees payable to the Company's auditor and its associates for other services to the Group:		
- Audit of the Company's subsidiaries, pursuant to legislation	<b>242</b>	243
<b>Total audit services</b>	<b>291</b>	297
Taxation compliance services	<b>24</b>	25
Other services	<b>11</b>	8
<b>Total non-audit services</b>	<b>35</b>	33
	<b>326</b>	330

## 8. Insurance revenues and costs

Revenues and costs arising from all of the Group's insurance contracts as defined by IFRS 4 are set out below. An analysis of the Group's revenue from retail insurance only policies is set out in note 5.

### Revenue earned from insurance activities

	2016 £'000	2015 £'000
Gross premiums written	<b>4,140</b>	7,662
Change in provision for unearned premiums	<b>213</b>	595
<b>Earned premiums</b>	<b>4,353</b>	8,257

### Costs incurred from insurance activities

	2016 £'000	2015 £'000
<b>Claims paid</b>		
- Gross amount	<b>485</b>	1,014
- Reinsurer's share	<b>(5)</b>	(3)
- Decrease in provision for gross claims	<b>(113)</b>	(235)
- Decrease in provision for reinsurance claims	<b>5</b>	3
	<b>372</b>	779
<b>Acquisition costs</b>		
- Costs incurred	<b>50</b>	261
- Movement in deferred acquisition costs	<b>80</b>	129
	<b>130</b>	390
Other expenses	<b>2,217</b>	5,630
	<b>2,719</b>	6,799

The following assumption has a significant impact on insurance revenues:

- Unearned premiums on prepaid insurance policies are recognised as revenue on a straight line basis over the life of the policy. Changes to the expected life of classes of policies will therefore impact the period in which these items are recognised.

## 9. Staff costs

Staff costs during the year (including Executive Directors)

	Continuing operations		Discontinued operations		Total	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Wages and salaries	<b>20,967</b>	22,012	<b>27</b>	740	<b>20,994</b>	22,752
Social security costs	<b>2,849</b>	3,374	<b>4</b>	62	<b>2,853</b>	3,436
Redundancy costs	<b>1,278</b>	702	<b>6</b>	23	<b>1,284</b>	725
Share-based payments (see note 30)	<b>1,486</b>	1,466	—	—	<b>1,486</b>	1,466
Pension costs	<b>836</b>	704	—	13	<b>836</b>	717
	<b>27,416</b>	28,258	<b>37</b>	838	<b>27,453</b>	29,096

Average number of employees

	2016	2015
<b>Continuing operations</b>		
UK and Ireland	<b>302</b>	335
Europe and Latin America	<b>340</b>	368
Asia Pacific	<b>34</b>	31
<b>Total continuing operations</b>	<b>676</b>	734
<b>Discontinued operations</b>		
	—	31
	<b>676</b>	765

The Group utilises third party service providers in a number of its overseas operations.

Details of the remuneration of Directors are included in the Directors' remuneration report on pages 38 to 40.

## 10. Investment revenues

	Continuing operations		Discontinued operations		Total	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Interest on bank deposits	<b>231</b>	282	<b>12</b>	—	<b>243</b>	282

## 11. Finance costs

	Continuing operations		Discontinued operations		Total	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Interest on borrowings	<b>162</b>	326	—	—	<b>162</b>	326
Amortisation of capitalised loan issue costs	<b>73</b>	1,036	—	—	<b>73</b>	1,036
Other	<b>90</b>	—	—	161	<b>90</b>	161
	<b>325</b>	1,362	—	161	<b>325</b>	1,523

## Notes to the financial statements continued

### 12. Taxation

	2016 £'000	2015 £'000
<b>Continuing operations</b>		
<b>Current tax (credit)/charge:</b>		
UK corporation tax	(1,270)	299
Foreign tax	347	915
Adjustments in respect of prior years	8	410
<b>Total current tax</b>	<b>(915)</b>	1,624
<b>Deferred tax (credit)/charge:</b>		
Origination and reversal of timing differences	(480)	1,760
Impact of change in UK tax rates	42	(10)
Adjustments in respect of prior years	11	—
<b>Total deferred tax</b>	<b>(427)</b>	1,750
<b>Total continuing operations</b>	<b>(1,342)</b>	3,374
<b>Discontinued operations</b>	<b>—</b>	(357)
	<b>(1,342)</b>	3,017

UK corporation tax is calculated at 20.00% (2015: 20.25%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The UK Finance (No 2) Act 2015 was enacted on 18 November 2015. It provides for a reduction in the main rate of UK corporation tax from 20% to 19% effective from 1 April 2017. The UK Finance Act 2016 was enacted on 15 September 2016. It provides for a further reduction to 17% from 1 April 2020. As these rates were substantively enacted prior to 31 December 2016, they have been reflected in the UK deferred tax balance at 31 December 2016.

The (credit)/charge for the year can be reconciled to the (loss)/profit per the consolidated income statement as follows:

	2016 £'000	2015 £'000
<b>(Loss)/profit before tax from continuing operations</b>	<b>(1,875)</b>	21,902
<b>Effects of:</b>		
Tax at the UK corporation tax rate of 20.00% (2015: 20.25%)	(375)	4,435
Movement in unprovided deferred tax following the IT platform impairment	753	—
Use of unprovided UK losses against the equalisation reserve release	(1,009)	—
Use of unprovided UK losses against the commission deferral compromise	—	(816)
Use of other unprovided tax losses	—	(562)
Other movements in unprovided deferred tax	(154)	(602)
Provisional tax charge on uncertain expenditure in the current year	1,109	180
Other income not chargeable for tax purposes	(833)	(220)
Overseas tax (gains)/losses not recognised	(964)	298
Higher tax rates on overseas earnings	186	216
Adjustments in respect of prior years	19	410
Impact of change in future tax rates on deferred tax	43	—
(Deficit)/surplus of share option charge compared to tax allowable amount	(117)	35
<b>Total tax (credited)/charged to income statement</b>	<b>(1,342)</b>	3,374

## 12. Taxation continued

Income tax charged/(credited) to reserves during the year was as follows:

	2016 £'000	2015 £'000
<b>Current tax charge</b>		
Movement on equalisation reserve	<b>1,249</b>	252
<b>Total current tax charge</b>	<b>1,249</b>	252
<b>Deferred tax charge/(credit)</b>		
Timing differences on equity settled share-based charge	11	(86)
<b>Total deferred tax charge/(credit)</b>	<b>11</b>	(86)
<b>Total tax charged to reserves</b>	<b>1,260</b>	166

## 13. Dividends

The Directors have not proposed a final dividend for the year ended 31 December 2016.

## 14. (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	<b>(533)</b>	18,528	<b>579</b>	2,309	<b>46</b>	20,837
Exceptional items (net of tax)	<b>8,736</b>	(15,433)	—	(38)	<b>8,736</b>	(15,471)
MSP charges (net of tax)	<b>698</b>	1,318	—	—	<b>698</b>	1,318
<b>Earnings for the purposes of underlying basic and diluted earnings per share</b>	<b>8,901</b>	4,413	<b>579</b>	2,271	<b>9,480</b>	6,684

### Number of shares

	2016 Number (thousands)	2015 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	<b>854,677</b>	766,667
Effect of dilutive potential ordinary shares: share options	<b>28,506</b>	2,748
<b>Weighted average number of ordinary shares for the purposes of diluted underlying earnings per share</b>	<b>883,183</b>	769,415

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

# Notes to the financial statements continued

## 15. Discontinued operations

The Group completed the closure of its airport lounge access services (Airport Angel) 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 consolidated income statement and summary of cash flows of this business are set out below:

### (i) Consolidated income statement

	2016 £'000	2015 £'000
Revenue	<b>91</b>	13,107
Cost of sales	<b>313</b>	(8,808)
<b>Gross profit</b>	<b>404</b>	4,299
Administrative expenses	<b>163</b>	(2,186)
<b>Operating profit</b>	<b>567</b>	2,113
Analysed as:		
Underlying operating profit	<b>567</b>	2,060
Exceptional items	—	53
Investment revenues	<b>12</b>	—
Finance costs	—	(161)
<b>Profit before taxation</b>	<b>579</b>	1,952
Taxation	—	357
<b>Profit for the year</b>	<b>579</b>	2,309

The Airport Angel business was closed on 31 December 2015, at that time certain estimates and assumptions were recognised relating to outstanding obligations. These estimates and assumptions have not crystallised in full resulting in the income statement credits for costs of sales and administrative expenses in the current year.

### (ii) Summary of cash flows

	2016 £'000	2015 £'000
Net cash flows from operating activities	<b>144</b>	(432)
Net cash flows from investing activities	<b>12</b>	21
Net cash flows from financing activities	—	(161)
<b>Net cash inflow/(outflow)</b>	<b>156</b>	(572)

## 16. Intangible assets

	Contractual arrangements with third parties £'000	Business relationships £'000	Internally generated software £'000	Externally acquired software £'000	Total £'000
<b>Cost</b>					
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)
<b>At 1 January 2016</b>	—	—	20,246	22,900	43,146
Additions	—	—	<b>362</b>	<b>3,450</b>	<b>3,812</b>
Disposals	—	—	(420)	(6,583)	(7,003)
Exchange adjustments	—	—	—	137	137
<b>At 31 December 2016</b>	—	—	<b>20,188</b>	<b>19,904</b>	<b>40,092</b>
<b>Accumulated amortisation</b>					
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)
<b>At 1 January 2016</b>	—	—	19,478	18,843	38,321
Provided during the year	—	—	—	<b>104</b>	<b>104</b>
Disposals	—	—	(420)	(6,583)	(7,003)
Impairment	—	—	<b>420</b>	<b>5,984</b>	<b>6,404</b>
Exchange adjustments	—	—	—	<b>130</b>	<b>130</b>
<b>At 31 December 2016</b>	—	—	<b>19,478</b>	<b>18,478</b>	<b>37,956</b>
<b>Carrying amount</b>					
At 31 December 2015	—	—	768	4,057	4,825
<b>At 31 December 2016</b>	—	—	<b>710</b>	<b>1,426</b>	<b>2,136</b>

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.

## Notes to the financial statements continued

### 17. Property, plant and equipment

	Freehold land and property £'000	Leasehold improvements £'000	Computer systems £'000	Furniture and equipment £'000	Total £'000
<b>Cost</b>					
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)
<b>At 1 January 2016</b>	<b>7,278</b>	<b>5,446</b>	<b>28,525</b>	<b>6,030</b>	<b>47,279</b>
Additions	—	<b>140</b>	<b>390</b>	<b>62</b>	<b>592</b>
Disposals	—	<b>(89)</b>	<b>(1,165)</b>	<b>(120)</b>	<b>(1,374)</b>
Exchange adjustments	—	<b>125</b>	<b>312</b>	<b>101</b>	<b>538</b>
<b>At 31 December 2016</b>	<b>7,278</b>	<b>5,622</b>	<b>28,062</b>	<b>6,073</b>	<b>47,035</b>
<b>Accumulated depreciation</b>					
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)
<b>At 1 January 2016</b>	<b>4,351</b>	<b>5,235</b>	<b>28,309</b>	<b>5,882</b>	<b>43,777</b>
Provided during the year	<b>87</b>	<b>74</b>	<b>110</b>	<b>129</b>	<b>400</b>
Disposals	—	<b>(69)</b>	<b>(1,166)</b>	<b>(120)</b>	<b>(1,355)</b>
Impairment reversal	<b>(1,534)</b>	—	—	—	<b>(1,534)</b>
Exchange adjustments	—	<b>114</b>	<b>305</b>	<b>12</b>	<b>431</b>
<b>At 31 December 2016</b>	<b>2,904</b>	<b>5,354</b>	<b>27,558</b>	<b>5,903</b>	<b>41,719</b>
<b>Carrying amount</b>					
At 31 December 2015	2,927	211	216	148	3,502
<b>At 31 December 2016</b>	<b>4,374</b>	<b>268</b>	<b>504</b>	<b>170</b>	<b>5,316</b>

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 current 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.

## 18. Investment in subsidiaries

Company	2016 £'000	2015 £'000
<b>Cost and carrying value</b>		
At 1 January	15,359	15,169
Acquisitions	179	190
<b>At 31 December</b>	<b>15,538</b>	15,359

The acquisition of £179,000 during the year (2015: £190,000) relates to share-based payment charges in relation to share options held by overseas employees, which are treated as capital contributions to the employing subsidiaries and are therefore recognised as investments in subsidiary companies.

Investments in Group entities at 31 December 2016 were as follows:

	Country of incorporation/ registration	Class of shares held	Percentage of share capital held
<b>Investments in subsidiary undertakings held directly</b>			
CPP Group Limited	England & Wales	Ordinary shares	100%
CPP Worldwide Holdings Limited	England & Wales	Ordinary shares	100%
<b>Investments in subsidiary undertakings held through an intermediate subsidiary</b>			
Card Protection Plan Limited	England & Wales	Ordinary shares	100%
CPP Assistance Services Limited	England & Wales	Ordinary shares	100%
CPP European Holdings Limited	England & Wales	Ordinary shares	100%
CPP Group Finance Limited	England & Wales	Ordinary shares	100%
CPP Holdings Limited	England & Wales	Ordinary shares	100%
CPP International Holdings Limited	England & Wales	Ordinary shares	100%
CPP Services Limited	England & Wales	Ordinary shares	100%
CPP Travel Services Limited	England & Wales	Ordinary shares	100%
CPPGroup Services Limited	England & Wales	Ordinary shares	100%
Homecare (Holdings) Limited	England & Wales	Ordinary shares	100%
Homecare Insurance Limited	England & Wales	Ordinary shares	100%
CPP Commercial Consulting Services (Shanghai) Co Limited	China	Ordinary shares	100%
CPP France SA	France	Ordinary shares	100%
CPP Creating Profitable Partnerships GmbH	Germany	Ordinary shares	100%
one call GmbH	Germany	Ordinary shares	100%
CPP Asia Limited	Hong Kong	Ordinary shares	100%
CPP Assistance Services Private Limited	India	Ordinary shares	100%
CPP Italia Srl	Italy	Ordinary shares	100%
CPP Malaysia Sdn. Bhd	Malaysia	Ordinary shares	100%
Servicios de Asistencia a Tarjetahabientes CPP Mexico, S. de R.L. de C.V.	Mexico	Ordinary shares	100%
Profesionales en Proteccion Individual, S. de R.L. de C.V.	Mexico	Ordinary shares	100%
CPP Mediacion Y Proteccion SL	Spain	Ordinary shares	100%
CPP Proteccion Y Servicios de Asistencia SAU	Spain	Ordinary shares	100%
CPP Real Life Services Support SL	Spain	Ordinary shares	100%
Key Line Auxiliar SL	Spain	Ordinary shares	100%
CPP Sigorta Aracilik Hizmetleri Anonim Sirketi	Turkey	Ordinary shares	99.99%
CPP Yardim ve Destek Hizmetleri Anonim Sirketi	Turkey	Ordinary shares	99.99%

The principal activity of all of the subsidiaries is to provide services in connection with the Group's major product streams.

# Notes to the financial statements continued

## 19. Insurance assets

	2016 £'000	2015 £'000
Amounts due from policyholders and intermediaries	42	213
Deferred acquisition costs	20	100
Amounts recoverable from reinsurers in respect of outstanding claims	—	4
	<b>62</b>	317

## Reconciliation of movement in deferred acquisition costs

	2016 £'000	2015 £'000
At 1 January	100	229
Incurred during the year	—	200
Amortised during the year	(80)	(329)
<b>At 31 December</b>	<b>20</b>	100

Amounts due from policyholders and intermediaries and amounts recoverable from reinsurers represent the total exposure to credit risk in respect of insurance activities.

Credit is not generally offered to retail customers on insurance premiums. Where credit is offered to wholesale insurance customers, the average credit period on insurance premiums is 45 days. No interest is charged on insurance receivables at any time.

Individually or collectively material insurance receivables are reviewed for recoverability when an adverse change in credit quality is identified or when they become overdue. Credit risk is reduced as insurance receivables are dispersed amongst a broad customer base and where concentration exists the Group's main counterparties are typically large companies with established credit records. Credit risk is mitigated through maintaining and managing the customer base.

The Group's insurance receivable balance does not include any debtors which are past due at the balance sheet date (2015: £nil).

There have been no overdue but unprovided debts in either the current or prior year.

## 20. Inventories

	2016 £'000	2015 £'000
Consumables and supplies	40	43

## 21. Trade and other receivables

	Consolidated		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade receivables	4,872	5,056	—	—
Prepayments and accrued income	10,398	5,447	82	96
Amounts due from Group entities	—	—	71,472	66,277
Other debtors	1,721	1,603	45	12
	<b>16,991</b>	12,106	<b>71,599</b>	66,385

Trade and other receivables are predominantly non-interest bearing.

The Group's trade receivables relate to retail customer payments awaiting collection and wholesale counterparties.

The Group is responsible for activating the collection process for our retail customers. The collection is received within a specified period of processing the transaction resulting in credit risk being considered low for these items.

Where wholesale counterparty balances are individually or collectively material, they are reviewed for recoverability when an adverse change in credit quality is identified or when they become overdue. The Group has low historical levels of customer and counterparty credit defaults, due in part to the quality of the relationship it has with its counterparties and their credit ratings.

Where credit is offered to customers, the average credit period offered is 21 days (2015: 31 days). No interest is charged on trade receivables at any time. Disclosures regarding credit risk relate only to counterparties or customers offered credit.

Overall exposure continues to be mainly spread over a large number of customers but where concentration exists this is with highly rated counterparties.

Included in the Group's trade receivable balance are debtors with a carrying amount of £46,000 (2015: £669,000) which are past due at the reporting date, for which the Group has not provided as there has not been a significant change in credit quality and the Group believes that the amounts are still recoverable.

The average age of overdue but unprovided debts is 40 days (2015: 166 days).

## 21. Trade and other receivables continued

### Ageing of past due but not impaired receivables

	2016 £'000	2015 £'000
Days outstanding since date of invoice:		
Up to 90 days	46	272
91-120 days	—	49
Over 120 days	—	348
	<b>46</b>	669

### Movement in the allowance for doubtful receivables

	2016 £'000	2015 £'000
At 1 January	88	372
Amounts written off during the year as uncollectable	—	(364)
(Decrease)/increase in allowance recognised in the income statement	(64)	80
Foreign exchange translation loss	1	—
<b>At 31 December</b>	<b>25</b>	88

## 22. 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. The 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
	<b>28,250</b>	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.

Company cash and cash equivalents of £nil (2015: £4,843,000) comprises cash held on demand by the Company.

## 23. Insurance liabilities

	2016 £'000	2015 £'000
Claims reported	40	93
Claims incurred but not reported	40	100
Total claims	80	193
Unearned premium	783	996
<b>Total insurance liabilities</b>	<b>863</b>	1,189

Provisions for claims reported and processed are based on estimated costs from third party suppliers. Provisions for claims incurred but not reported are an estimate of costs for the number of claims not yet processed at the year end. Claims outstanding at the year end are expected to be settled within the following twelve months.

# Notes to the financial statements continued

## 23. Insurance liabilities continued

Provision for unearned premiums

	2016 £'000	2015 £'000
At 1 January	996	1,591
Written in the year	4,140	7,662
Earned in the year	(4,353)	(8,257)
<b>At 31 December</b>	<b>783</b>	996

Unearned premiums are released as revenue on a straight line basis over the life of the relevant policy.

### Reinsurance cover

The Group reinsures certain of its insurance contracts. Claims provisions are stated gross of reinsurance in the consolidated balance sheet. The impact of reinsurance on the year end claims provision is as follows:

	Gross £'000	Reinsurance £'000	Net £'000
Notified claims	93	—	93
Incurred but not reported claims	100	(5)	95
<b>At 31 December 2015</b>	<b>193</b>	(5)	188
Notified claims	40	—	40
Incurred but not reported claims	40	—	40
<b>At 31 December 2016</b>	<b>80</b>	—	80

Movements in the claims provision, gross and net of reinsurance, are as follows. There have been no significant differences between year end claims provisions and the amounts settled in the subsequent year.

	Gross £'000	Reinsurance £'000	Net £'000
At 1 January 2015	428	(8)	420
Cash (paid)/received for claims settled in the year	(1,014)	3	(1,011)
Increase in liabilities arising from current year claims	779	—	779
<b>At 1 January 2016</b>	<b>193</b>	(5)	188
Cash (paid)/received for claims settled in the year	(485)	5	(480)
Increase in liabilities arising from current year claims	372	—	372
<b>At 31 December 2016</b>	<b>80</b>	—	80

### Equalisation reserve

	2016 £'000	2015 £'000
At 1 January	6,243	7,487
Transfer to retained earnings	(6,243)	(1,244)
<b>At 31 December</b>	<b>—</b>	6,243

The equalisation reserve was established in accordance with Chapter 7.5 of the Integrated Prudential Sourcebook (PRU) and was in addition to the provisions required to meet the anticipated ultimate cost of settlement at the balance sheet date. Solvency II replaces these rules with effect from 1 January 2016 and does not require an equalisation reserve to be held. The reserve was transferred to retained earnings on 1 January 2016.

## 24. Trade and other payables

	Consolidated		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>Current liabilities</b>				
Trade creditors and accruals	<b>21,744</b>	23,920	<b>2,112</b>	2,438
Other tax and social security	<b>1,886</b>	2,527	<b>112</b>	185
Other payables	<b>1,753</b>	9,962	—	—
Amounts payable to Group entities	—	—	<b>19,139</b>	16,872
Deferred income	<b>12,716</b>	6,220	—	—
<b>Total trade and other payables</b>	<b>38,099</b>	42,629	<b>21,363</b>	19,495

Trade creditors and accruals comprise amounts outstanding for trade purchases and ongoing costs. The average credit period for trade purchases is 37 days (2015: 40 days). Interest is not suffered on trade payables. The Group has financial management policies in place to ensure that all payables are settled within the pre-agreed credit terms.

## 25. Borrowings

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

	Consolidated		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>Borrowings due within one year</b>				
Bank overdrafts	—	—	<b>1,604</b>	—
Second Commission Deferral Agreement	<b>1,391</b>	—	—	—
<b>Borrowings due within one year</b>	<b>1,391</b>	—	<b>1,604</b>	—
Bank loans due outside of one year	—	1,000	—	—
Less: unamortised issue costs	(80)	(152)	—	—
Second Commission Deferral Agreement	—	1,343	—	—
<b>Borrowings due outside of one year</b>	<b>(80)</b>	2,191	—	—

Analysis of repayments:

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

# Notes to the financial statements continued

## 25. Borrowings continued

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

	2016 %	2015 %
Bank loans	<b>2.3</b>	2.5
Commission Deferral Agreements	<b>3.5</b>	3.5
Weighted average	<b>2.5</b>	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.

## 26. 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	<b>829</b>	<b>1,611</b>	<b>2,440</b>	1,658	6,356	8,014
Charged/(credited) to the income statement	<b>500</b>	<b>(100)</b>	<b>400</b>	(97)	900	803
Customer redress and associated costs paid in the year	—	<b>(1,035)</b>	<b>(1,035)</b>	—	(4,821)	(4,821)
Utilisation of onerous lease provision in the year	<b>(662)</b>	—	<b>(662)</b>	(732)	—	(732)
Transfer to trade and other payables	—	—	—	—	(824)	(824)
<b>At 31 December</b>	<b>667</b>	<b>476</b>	<b>1,143</b>	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	<b>667</b>	<b>476</b>	<b>1,143</b>	643	1,611	2,254
Outside of one year	—	—	—	186	—	186
<b>At 31 December</b>	<b>667</b>	<b>476</b>	<b>1,143</b>	829	1,611	2,440

## 27. Deferred tax

The following are the major deferred tax assets/(liabilities) recognised by the Group and the movements thereon during the current and prior years:

Consolidated	Accelerated capital allowances £'000	Tax losses £'000	Share-based payments £'000	Other short term timing differences £'000	Total £'000
At 1 January 2015	9	1,646	3	464	2,122
(Charged)/credited to income statement	(233)	(1,646)	75	(54)	(1,858)
Credited to equity	—	—	86	—	86
Exchange differences	—	—	—	(6)	(6)
<b>At 1 January 2016</b>	<b>(224)</b>	<b>—</b>	<b>164</b>	<b>404</b>	<b>344</b>
Credited/(charged) to income statement	<b>123</b>	<b>424</b>	<b>193</b>	<b>(313)</b>	<b>427</b>
Charged to equity	—	—	(11)	—	(11)
Exchange differences	—	—	—	(45)	(45)
<b>At 31 December 2016</b>	<b>(101)</b>	<b>424</b>	<b>346</b>	<b>46</b>	<b>715</b>

Company	Share-based payments £'000
At 1 January 2015	—
Credited to income statement	79
Credited to equity	86
<b>At 1 January 2016</b>	<b>165</b>
Credited to income statement	<b>192</b>
Charged to equity	<b>(11)</b>
<b>At 31 December 2016</b>	<b>346</b>

Deferred tax assets and liabilities are stated at tax rates expected to apply on the forecast date of reversal, based on tax laws substantively enacted at the balance sheet date.

Certain deferred tax assets and liabilities have been offset where the Group or the Company is entitled to and intends to settle tax liabilities on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Consolidated		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Deferred tax assets	<b>818</b>	652	<b>346</b>	165
Deferred tax liabilities	<b>(103)</b>	(308)	—	—
	<b>715</b>	344	<b>346</b>	165

At the balance sheet date the Group has unused tax losses of £35,033,000 (2015: £44,170,000) available for offset against future profits. A deferred tax asset is recognised in respect of £1,406,000 (2015: £nil) of these losses. No deferred tax asset has been recognised in respect of the remainder of these losses due to the unpredictability of future profit streams in the underlying companies and restrictions on offset of taxable profits and losses between Group companies. Included in unrecognised deferred tax assets are losses of £5,400,000 (2015: £5,562,000) which, if not used, will expire between one to twelve years (2015: one to twelve years). Other losses will be carried forward indefinitely.

There is no deferred tax liability on unremitted foreign earnings as the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

At the balance sheet date the Company has unused tax losses of £17,202,000 (2015: £17,202,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams in the Company and restrictions on offset of taxable profits and losses between Group companies. The losses can be carried forward indefinitely.

# Notes to the financial statements continued

## 28. Financial instruments

### Capital risk management

The Group manages its capital to safeguard its ability to continue as a going concern.

The Group does not have a target level of gearing but seeks to maintain an appropriate balance of debt and equity while aiming to provide returns for shareholders and benefits for other stakeholders. The Group's principal debt facility during the year was a £5.0 million RCF with an expiry date of 28 February 2018.

The Group makes adjustments to its capital structure in light of economic conditions. To maintain or adjust the capital structure the Group may adjust a dividend payment to shareholders, return capital to shareholders or issue new shares. The Directors have considered the capital requirements of the Group, including the availability of cash reserves, and have not proposed a final dividend in respect of the current year.

### Externally imposed capital requirement

Two of the Group's principal subsidiaries, CPPL and HIL, have capital requirements imposed by the FCA in the UK. Both subsidiaries have complied with their respective imposed capital requirements throughout the current and prior year.

### Card Protection Plan Limited

CPPL is regulated by the FCA as an insurance intermediary and is required to hold a minimum level of capital resources relative to regulated business revenue.

The ratio of current and future capital resources to regulated business revenue is reported monthly to management to ensure compliance. There have been no instances of non-compliance in either the current or prior years.

The Group has agreed with the FCA, as part of the VVOP, to additional restrictions on the disposition of assets by CPPL.

### Homecare Insurance Limited

HIL is authorised and regulated by the PRA and regulated by the FCA as an insurance underwriter and therefore maintains its capital resources in accordance with the PRA's Rulebook. HIL and its immediate parent company, Homecare (Holdings) Limited, calculate their Solvency Capital Requirement using the Solvency II Standard Formula and report this quarterly to the HIL Board and to the PRA. As at 31 December 2016, HIL's ratio of eligible funds to meet its Solvency Capital Requirement was 209%. There have been no instances of non-compliance in either the current or prior year.

### Fair value of financial instruments

The fair value of non-derivative financial instruments is determined using pricing models based on discounted cash flow analysis using prices from observable current market transactions; hence, all are classified as Level 2 in the fair value hierarchy. Financial assets and liabilities are carried at the following amounts:

#### Financial assets

	2016 £'000	2015 £'000
Loans and receivables	34,589	46,687

Loans and receivables comprise cash and cash equivalents, trade and other receivables, insurance assets and taxes receivable.

There is no significant difference between the fair value and carrying amount of any financial asset.

#### Financial liabilities

	2016 £'000	2015 £'000
Financial liabilities at amortised cost	29,944	43,869

Financial liabilities at amortised cost comprise borrowings, trade creditors, accruals, taxes payable, insurance claims and provisions.

There is no significant difference between the fair value and carrying amount of any financial liability, since liabilities are either short term in nature or bear interest at variable rates.

## 28. Financial instruments continued

### Financial risk management objectives

The Group's activities expose it to the risks of changes in foreign exchange rates and interest rates. The Board of Directors determines the Treasury Policy of the Group and delegates the authority for execution of the policy to the Group Treasurer. Any changes to the Treasury Policy are authorised by the Board of Directors. The limited use of financial derivatives is governed by the Treasury Policy and derivatives are not entered into for speculative purposes.

### Interest rate risk

The Group is exposed to interest rate risk to the extent that short and medium term interest rates fluctuate. The Group manages this risk through the use of interest rate swaps, when appropriate, in accordance with its Treasury Policy. There has been no use of interest rate derivatives in either the current or prior year. The interest cover (being defined as the ratio of underlying EBITDA to interest paid) at 31 December 2016 was 37x (2015: 9x).

### Interest rate sensitivity analysis

The Group is mainly exposed to movements in LIBOR. The following table details the Group's sensitivity to a 2% increase in LIBOR rates throughout the year. 2% represents the Directors' assessment of a reasonably possible change in LIBOR rates. The sensitivity analysis includes the impact of changes in LIBOR on yearly average cash and bank loans.

	2016 £'000	2015 £'000
Decrease in loss before tax	652	756
Increase in shareholders' equity	652	756

### Foreign currency risk

The Group has exposure to foreign currency risk where it has investments in overseas operations which have functional currencies other than sterling and are affected by foreign exchange movements. The carrying amounts of the Group's principal foreign currency denominated assets and liabilities are as follows:

	Liabilities		Assets	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Euro	4,879	4,805	6,667	5,678
Indian rupee	3,770	1,525	4,996	2,430

### Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 20% decrease in the euro to sterling and Indian rupee to sterling exchange rates. This represents the Directors' assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only foreign currency denominated financial instruments and adjusts their translation at the year end for a change in foreign currency rates.

	Euro currency impact		Indian rupee currency impact	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Loss before tax	(135)	(26)	—	—
Shareholders' equity	(298)	(146)	(204)	(151)

# Notes to the financial statements continued

## 28. Financial instruments continued

### Foreign currency risk continued

#### Eurozone sensitivity analysis

The Group operates in countries with euro denominated currencies. The UK's decision to leave the European Union has had an impact in the year on the euro exchange rate. As the UK moves through the exit process this has potential to result in further fluctuations in the euro which would impact the translation of the Group's results and represents a risk to the Group. The Group's ongoing Eurozone operations are in Germany, Ireland, Italy, Portugal and Spain. A 20% deterioration in the sterling to euro exchange rate throughout the year would have decreased Group profits relating to these Eurozone entities by £459,000 (2015: £504,000). With the exception of foreign exchange movements, the Group does not consider operations to be significantly at risk following the UK's decision to leave the European Union. Current business activities are wholly serviced within the country of operation and are not extensively conducted under passporting arrangements. This should reduce the potential risk to the Group's operations from the UK leaving the European Union.

#### Credit risk

Credit risk refers to the risk that a counterparty defaults on its contractual obligations resulting in financial loss to the Group. The Group does not actively hedge its credit risk.

The Group's retail trade and insurance receivables are mainly with a broad base of individual customers and are therefore not generally exposed to any one customer, resulting in low credit risk.

The Group's wholesale activities can result in material balances existing with a small number of counterparties and therefore increased credit risk exists. The Group continues to maintain some wholesale contracts and considers that it mitigates this credit risk through good quality relationships with counterparties and only partnering with counterparties with established credit ratings.

Counterparty credit limits are determined in accordance with the Treasury Policy for cash and cash equivalents and the Counterparty and Credit Risk Policy for receivables. Any balance that falls into an overdue status is monitored. Further details of the monitoring of and provision for overdue debts are outlined for insurance receivables in note 19 and other receivables in note 21.

The carrying amount of financial assets recorded in the consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

#### Liquidity risk

The Group has a policy of repatriation and pooling of funding where possible in order to maximise the return on surplus cash or minimise the level of debt required. Group Treasury continually monitors the level of short term funding requirements and balances the need for short term funding with the long term funding needs of the Group. Additional undrawn facilities that the Group had at its disposal to further reduce liquidity risk are included in note 25.

Compliance with financial ratios and other covenant obligations of the Group's bank loans is monitored on a monthly basis by the Board of Directors.

## 28. Financial instruments continued

### Liquidity and interest risk tables

#### Liabilities

The following table details the Group's remaining contractual maturity for its financial liabilities, based on the undiscounted cash flows of financial liabilities and the earliest date at which the Group can be required to pay. The table includes both interest and principal cash flows and assumes no changes in future LIBOR rates.

	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	Over 5 years £'000	Total £'000
<b>2015</b>						
Non-interest bearing liabilities	11,071	9,894	19,996	292	284	41,537
Fixed rate instruments	—	—	—	1,391	—	1,391
Variable rate instruments	—	—	—	1,254	—	1,254
	11,071	9,894	19,996	2,937	284	44,182
<b>2016</b>						
Non-interest bearing liabilities	<b>9,800</b>	<b>12,762</b>	<b>3,067</b>	<b>2,924</b>	—	<b>28,553</b>
Fixed rate instruments	<b>1,399</b>	<b>15</b>	<b>67</b>	<b>15</b>	—	<b>1,496</b>
	<b>11,199</b>	<b>12,777</b>	<b>3,134</b>	<b>2,939</b>	—	<b>30,049</b>

#### Assets

The following table details the Group's expected maturity for its non-derivative financial assets, based on the undiscounted contractual maturities of the financial assets.

	Weighted average effective interest rate %	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	Over 5 years £'000	Total £'000
<b>2015</b>							
Non-interest bearing assets	n/a	5,300	529	85	905	45	6,864
Variable rate instruments	1.0%	20,383	19,439	—	1	—	39,823
		25,683	19,968	85	906	45	46,687
<b>2016</b>							
Non-interest bearing assets	<b>n/a</b>	<b>4,670</b>	<b>517</b>	<b>217</b>	<b>935</b>	—	<b>6,339</b>
Variable rate instruments	<b>1.0%</b>	<b>21,309</b>	<b>4,994</b>	<b>1,942</b>	<b>5</b>	—	<b>28,250</b>
		<b>25,979</b>	<b>5,511</b>	<b>2,159</b>	<b>940</b>	—	<b>34,589</b>

# Notes to the financial statements continued

## 28. Financial instruments continued

### Insurance risk

The Group applies a prudent approach to its management of potential exposure to risks arising from its insurance contracts.

The lines of policies underwritten are limited to general insurance classes underwritten by HIL, an entity within the Group, which is authorised and regulated by the PRA and regulated by the FCA. The lines of risk underwritten are restricted by HIL to those lines where either HIL has substantial experience or lines that the Group wishes to move into where it can enter such a line of business in a risk-controlled manner after appropriate Board consideration.

The Group's lines of insurance business, and thus its insurance risk portfolio, are primarily focused on high volume, low transaction value, short term individual lines.

The Group's policy is to establish a specific claims reserve at any point in time on each line of business, based on claims reported up to and including the last day of each accounting period, including an element to represent claims incurred but not yet reported. Details of claims reserves carried are provided in note 23.

The Directors consider the following to be the principal insurance risks and actions taken, reducing risk to an acceptable level:

### Changes in rates of claims

Trends in claim rates and other market data are reviewed on a regular basis and premiums for contracts are adjusted accordingly. Each class of contract has a large population of homogeneous policyholders and no insurance contracts are subject to concentration risk.

A 10% deterioration in the loss ratio during the year would have resulted in a £37,000 increase in loss before tax and reduction in shareholders' equity (2015: £78,000), 10% representing the Directors' assessment of the reasonably possible change in the loss ratio.

### Changes in settlement cost per claim

The quantum or nature of settlement amounts is specified in policy documentation and the Group is not exposed to significant open-ended commitments. Although settlement costs are not capped, they generally vary within a small range, limiting the Group's exposure.

### Reliance on key suppliers

The Group makes use of third party suppliers to fulfil the majority of claims. The performance and financial position of key suppliers are regularly monitored and alternative lines of supply are sourced as necessary.

The Group therefore considers its exposure to risk arising from its insurance contracts to be appropriately managed.

## 29. 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
<b>Called-up and allotted:</b>						
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
<b>At 31 December 2016</b>	<b>856,481</b>	<b>171,650</b>	<b>1,028,131</b>	<b>8,562</b>	<b>15,413</b>	<b>23,975</b>

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 30.

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.

### 30. Share-based payment

#### Current share plans

Share-based payment charges comprise 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 (£)
<b>2016 LTIP</b>				
Outstanding at 1 January	—	—	—	—
Granted during the year	<b>26,050</b>	—	—	—
Forfeited during the year	<b>(10,969)</b>	—	—	—
<b>Outstanding at 31 December</b>	<b>15,081</b>	—	—	—
<b>MSP</b>				
Outstanding at 1 January	<b>36,135</b>	<b>0.01</b>	—	—
Granted during the year	—	—	38,010	0.01
Forfeited during the year	<b>(14,111)</b>	<b>0.01</b>	(1,875)	0.01
Exercised during the year	<b>(4,359)</b>	<b>0.01</b>	—	—
<b>Outstanding at 31 December</b>	<b>17,665</b>	<b>0.01</b>	36,135	0.01
Exercisable at 31 December	<b>1,810</b>	<b>0.01</b>	—	—

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	<b>£0.12</b>
Weighted average exercise price	—
Expected volatility	<b>150%</b>
Expected life	<b>3 years</b>
Risk-free rate	<b>0.67%</b>
Dividend yield	<b>0%</b>

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.

# Notes to the financial statements continued

## 30. Share-based payment continued

### Legacy share plans

Administrative expenses include a charge of £2,000 (2015: £9,000) arising from the 2010 LTIP, the RSP, the DSBP, the ShareSAVE Plan, the 2005 ESOP Scheme and the 2008 ESOP Scheme. There were no options granted in either the current or prior year under any of the Group's legacy plans. Following the Group's transfer to AIM, no further awards can be made under these share plans.

Details of share options outstanding during the period under these plans are as follows:

	2016		2015	
	Number of share options (thousands)	Weighted average exercise price (£)	Number of share options (thousands)	Weighted average exercise price (£)
<b>2010 LTIP</b>				
Outstanding at 1 January	<b>800</b>	—	5,236	—
Lapsed during the year	—	—	(1,468)	—
Forfeited during the year	<b>(800)</b>	—	(2,968)	—
<b>Outstanding at 31 December</b>	<b>—</b>	—	800	—
<b>RSP</b>				
Outstanding at 1 January	<b>154</b>	—	246	—
Forfeited during the year	<b>(32)</b>	—	(14)	—
Exercised during the year	—	—	(78)	—
<b>Outstanding at 31 December</b>	<b>122</b>	—	154	—
Exercisable at 31 December	<b>122</b>	—	154	—
<b>DSBP</b>				
Outstanding at 1 January	—	—	6	—
Exercised during the year	—	—	(6)	—
<b>Outstanding at 31 December</b>	<b>—</b>	—	—	—
<b>ShareSAVE Plan</b>				
Outstanding at 1 January	<b>7</b>	<b>1.46</b>	43	1.33
Forfeited/cancelled during the year	<b>(7)</b>	<b>1.46</b>	(36)	1.31
<b>Outstanding at 31 December</b>	<b>—</b>	—	7	1.46
<b>2005 ESOP Scheme</b>				
Outstanding at 1 January	<b>1,192</b>	<b>2.22</b>	1,536	2.00
Lapsed during the year	<b>(11)</b>	<b>0.82</b>	(240)	0.82
Forfeited during the year	<b>(15)</b>	<b>2.28</b>	(104)	2.24
<b>Outstanding at 31 December</b>	<b>1,166</b>	<b>2.23</b>	1,192	2.22
Exercisable at 31 December	<b>1,166</b>	<b>2.23</b>	1,192	2.22
<b>2008 ESOP Scheme</b>				
Outstanding at 1 January	<b>161</b>	<b>1.79</b>	309	1.79
Forfeited during the year	<b>(10)</b>	<b>1.79</b>	(148)	1.79
<b>Outstanding at 31 December</b>	<b>151</b>	<b>1.79</b>	161	1.79
Exercisable at 31 December	<b>151</b>	<b>1.79</b>	161	1.79

Outstanding nil-cost options and conditional shares granted under the 2010 LTIP were subject to achievement of performance criteria including total shareholder return and an absolute share price measure over a three year period. The performance criteria were not met and as a result the options were forfeited during the year. There have been no 2010 LTIP options exercised in either the current or prior year and no further awards can be made under this plan.

All outstanding nil-cost options and conditional shares granted under the RSP have vested. These options will lapse if not exercised within ten years of grant, and will lapse if option holders cease to be employed by the Group. There have been no RSP options granted or exercised in either the current or prior year and no further awards can be made under this plan.

### 30. Share-based payment continued

#### Legacy share plans continued

There have been no DSBP options granted in either the current or prior year and no further awards can be made under this plan.

Options granted during 2011 under the ShareSAVE Plan entitled option holders to contribute up to £250 per month to the plan. All outstanding ShareSAVE options have been forfeited/cancelled during the year and cash deposited has been returned to the option holders. There have been no ShareSAVE Plan options granted or exercised in either the current or prior year and no further awards can be made under this plan.

The IPO in 2010 represented a trigger event for the 2005 and 2008 ESOP Schemes. All outstanding ESOP scheme options have now vested. Options lapse if not exercised within ten years of original grant and may lapse if the employee leaves the Group. There have been no exercises in either the current or prior year and no further awards can be made under this plan.

The options outstanding in the RSP, ESOP 2005 and ESOP 2008 had no weighted average remaining contractual life in either the current or prior year.

### 31. Reconciliation of operating cash flows

	2016 £'000	2015 £'000
Profit for the year	<b>46</b>	20,837
<b>Adjustment for:</b>		
Depreciation and amortisation	<b>504</b>	856
Equity settled share-based payment expense	<b>1,486</b>	1,466
Impairment loss on intangible assets	<b>6,404</b>	21
Reversal of freehold property impairment	<b>(1,534)</b>	—
Loss on disposal of property, plant and equipment	<b>20</b>	16
Commission deferral compromise and associated costs	<b>—</b>	(19,388)
Investment revenues	<b>(243)</b>	(282)
Finance costs	<b>325</b>	1,523
Income tax (credit)/expense	<b>(1,342)</b>	3,017
<b>Operating cash flows before movements in working capital</b>	<b>5,666</b>	8,066
Decrease in inventories	<b>2</b>	50
(Increase)/decrease in receivables	<b>(3,542)</b>	2,234
Decrease in insurance assets	<b>255</b>	276
Decrease in payables	<b>(6,716)</b>	(4,410)
Decrease in insurance liabilities	<b>(326)</b>	(830)
Decrease in provisions	<b>(1,296)</b>	(5,574)
<b>Cash used in operations</b>	<b>(5,959)</b>	(188)
Income taxes paid	<b>(1,250)</b>	(1,172)
<b>Net cash used in operating activities</b>	<b>(7,209)</b>	(1,360)

### 32. Commitments

#### Operating lease commitments

The Group has entered into commercial leases on certain properties and motor vehicles. The leases have normal terms, escalation clauses and renewal rights.

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2016 £'000	2015 £'000
Within one year	<b>1,579</b>	1,575
In the second to fifth years inclusive	<b>2,036</b>	2,112
After five years	<b>—</b>	116
	<b>3,615</b>	3,803

The total of future minimum sublease payments expected to be received under non-cancellable subleases at the end of the reporting period is £593,000 (2015: £750,000).

# Notes to the financial statements continued

## 33. Related party transactions

### 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.

Certain bank loans taken out by Group entities are secured against the assets of the Company. The total amount outstanding on these loans at 31 December 2016 amounted to £nil (2015: £1,000,000). The £5,000,000 facility commitment remains available. The Company is party to a cross-guarantee in respect of a bank account netting arrangement in which it is a participant alongside certain other Group companies. 'Bank overdrafts' in borrowings includes £1,605,000 (2015: £4,286,000), which is held in a bank account subject to this arrangement.

### Remuneration of key management personnel

The remuneration of the Directors and senior management team, who are the key management personnel of the Group and Company, 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

Required disclosures regarding remuneration of the Directors are included in the Directors' remuneration report on pages 38 to 40.

## 34. 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.

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# Shareholder information

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The Company's shares are listed on AIM. Company information and share price details are available on the corporate website at [www.cppgroupplc.com](http://www.cppgroupplc.com).

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**Shareholders who have a query regarding their shareholding should contact the Company's share registrar at:**

**Capita Asset Services**  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

By telephone +44 (0)20 8639 3399

When contacting the registrar please have the investor code and information relating to the name and address in which the shares are held.

**Investor relations**

Requests for further copies of the Annual Report & Accounts, or other investor relations enquiries, should be addressed to the Company Secretary at the registered office.

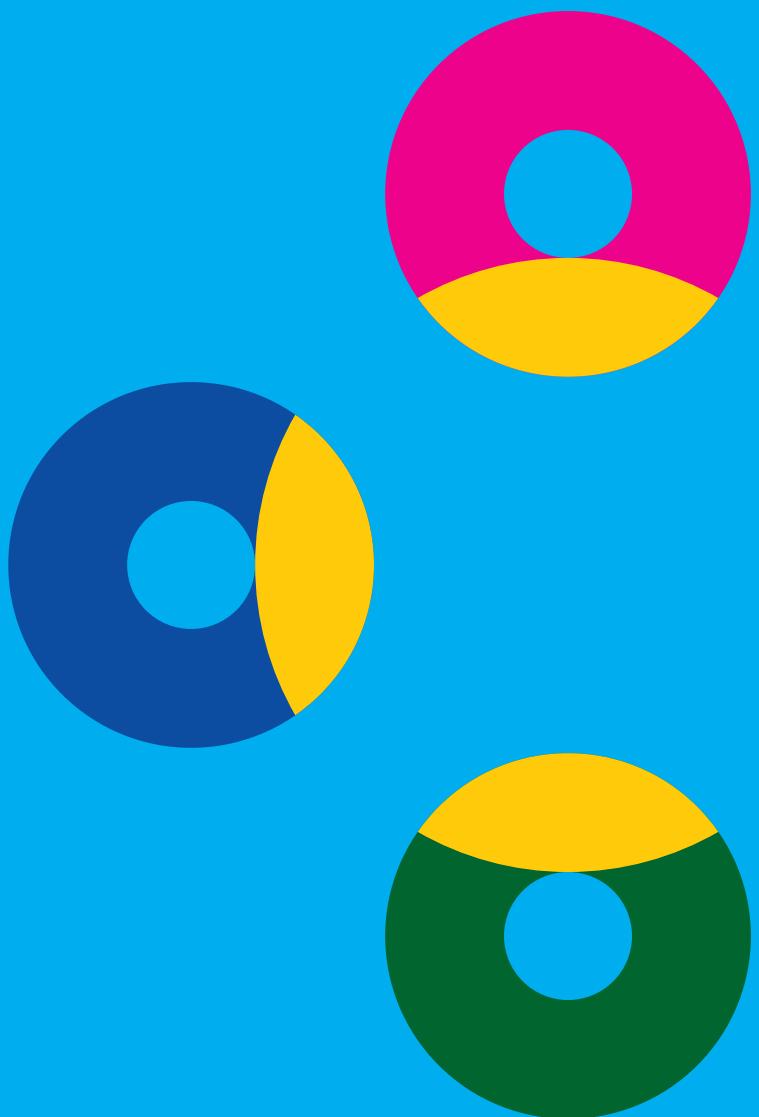
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