CPPGroup Plc
Annual Report & Accounts 2020

What we are all about

Everyday disruptions will happen – losing your payment cards, being locked out of your car or home, dropping your phone, the air conditioning failing to work on the hottest day or a company putting your personal details at risk.

CPP Group is there for when it's been one of those days... our purpose is to reduce everyday disruptions. We try to prevent disruptions from happening and fix them quickly when they do – providing reassurance and giving confidence. We make the complex easy for our partners and customers.

What else you should know about us...

1

Strong established model delivering value for over 40 years.

Operating across Asia and Europe, we are experts in our markets and listen to partners and customers to develop products and services that suit local needs and conditions.

2

Partnerships are important.

We design and build products for over 60 business partners across the globe. We also manage over 40 different service providers to source, build, package, fulfil and support tailored products and services that meet partner needs.

3

As is getting it right for individual customers.

Some of our customers have been with us from the start and describe us as that 'someone' to call when things go wrong. We have a strong foundation of caring for and retaining customers.

Read more about CPP Group on our website
https://international.cppgroup.com

Inside this report

Our new Chairman talks through his views so far

David Morrison review on **page 20**

See under the hood of the business

Our business model on **pages 10 and 11**

Discover the value drivers of the business

Our investment case on **pages 6 and 7**

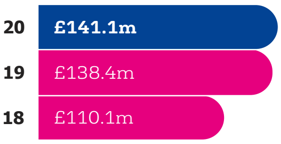
Q&As with our market CEOs on **pages 12 to 17**

Growing performance in an unprecedented time

Financial highlights

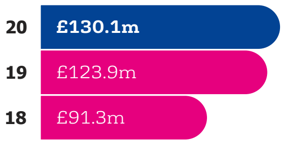
Revenue

£141.1m
+2%



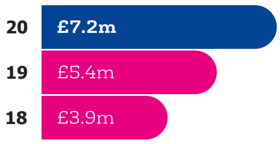
Revenue from Ongoing Operations[1]

£130.1m
+5%



EBITDA[2]

£7.2m
+32%



Strategic highlights

Focus on business partner needs

- Over ten partner and product extensions.
- 10% increase in partners.
- 11% increase in customer numbers.
- Maintained service to all customers – responding customer queries within agreed service level agreements.

Create advantages through innovation

- Six new products developed and launched in 2020.
- Deployed new digital claims management capability in India reducing claims times.
- Award winning technology and product innovation in Turkey and China.

1. 2018 and 2019 have been restated for the transfer of an Italian renewal book from Restricted Operations to Ongoing Operations. Refer to note 3 on page 61.
2. EBITDA includes £3.1 million (2019: £3.3 million) start-up losses charged to the income statement relating to investments in business growth projects.

A list and explanation of our alternative performance measures (APMs) is provided in a glossary on pages 93 and 94.
The percentage change figures above are based on year-on-year movements between our reported numbers. We are a Group that operates in many overseas markets and currency fluctuations impact our reported performance. As a result, all percentage change figures in the Strategic Report (pages 4 to 33) are presented on a constant currency basis, unless otherwise stated. The constant currency basis is applied as a means of eliminating the effects of exchange rate movements on the year-on-year reported results. See our APMs on pages 93 and 94.

Dividend

The reinstatement of the dividend is an important moment for CPP. After many years of reorganisation and investment, the Group is now positioned for what we expect to be a period of continued growth, underpinned by our businesses in India, Turkey, and the UK. With the support of a robust balance sheet and solid cash generation, the Board are confident that the time is right for a stronger focus on shareholder returns in which the dividend has a key role.

While the Group currently does not generate positive EPS – leading to an uncovered dividend on that basis – future profit growth and progressive normalisation of the tax position will allow movement towards conventional dividend cover to follow. The Board has thus proposed the final dividend at a level which it is confident can be grown in the years ahead.

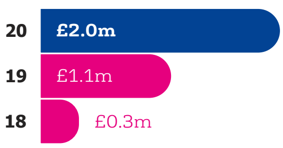
25 pence

per ordinary share final dividend proposed

Profit before tax

£2.0m

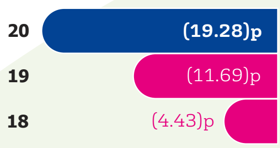
+78%



Basic loss per share

(19.28)p

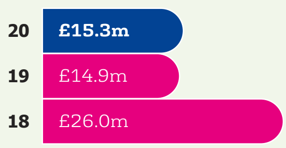
-65%



Net funds

£15.3m

+3%



Develop our value driving markets

- Strong revenue (16%) and EBITDA (£2.2 million) growth in India despite COVID-19 restrictions in market.
- Consistent growth in Turkey through 15 local-market leading partners delivered through a multi-product/channel strategy.
- We are now well established as a Managing General Agent (MGA) in the UK delivering and growing revenue.
- Renewal performance across key markets has maintained in line with expectations.
- Focused cash and Group resources on core value driving markets.

Take a different approach to culture

- Creating time to listen in our Global Conversations with colleagues, and adapted our culture to support colleagues through the pandemic.
- Our nimble culture enabled us to move call centre operations across the Group to home-working environments.
- Launch of Learn More, Be More initiative to ensure colleagues can be the best versions of themselves.

Our business at a glance

CPP Group operates a well-balanced product portfolio across a number of established markets, but with one shared purpose – to reduce disruptions to everyday life through the creation and management of insurance and assistance products and services.

What we offer

...to our business partners

Source, create, distribute and manage a broad range of insurance and assistance related products and services that enrich the value of their core product lines.

...to our 11m customers

Products that remove hassle and provide convenience, reassurance and control when customers lose cards, personal details and keys or when appliances, phones and electronic devices break.

Group revenue £141.1m

Card Protection
£52.0m -4%
Provides emergency support if cards, keys and phones are lost or stolen.

Cyber & Identity
£5.3m +3%
Personal and SME identity and cyber risks protection.

Device & Payments Insurance
£33.8m +26%
Phone insurance, mobile payment insurance and virus protection.

Extended Warranty
£17.2m -32%
Comprehensive support for appliances through regular services, repairs and protection.

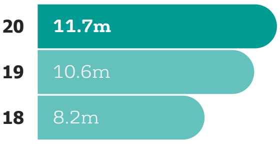
Health & Wellbeing
£22.5m +71%
Health check assessments, online doctor consultations and discounted medical, pharmacy and dentistry services.

Other
£10.3m +50%
Market specific products such as travel disruption cover, Business Process Management (BPM) services and auto cover.

Key performance indicators

Live policies

11.7m +11%

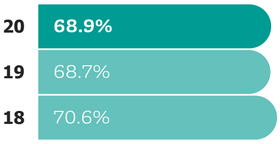


Performance

The live policy base has increased by 11% in the year due to growth in our Indian market, particularly in one-time point-of-sale policies, along with increases in our new UK business. This has been partly offset by the continued reduction in the size of our UK and EU Hub renewal books.

Annual renewal rate

68.9% +0.2%

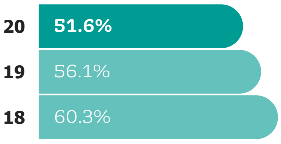


Performance

The annual renewal rate for 2020 has increased by 0.2 percentage points due to an improving rate in our growing Indian renewal book. This has been mostly offset by the negative mix impact from the growing Indian book which typically renews at lower rates than our diminishing UK and EU renewal books.

Cost/income ratio[1]

51.6% -4.5%



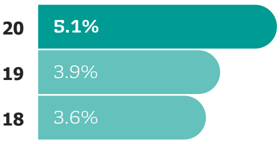
Performance

Our cost/income ratio has decreased 4.5 percentage points year on year due to growth in India which has a comparatively low cost base (excluding commissions) and a reduction in central costs.

1. Cost of sales (excluding commission) and administrative expenses (excluding depreciation, amortisation and exceptional items) as a proportion of revenue.

EBITDA margin

5.1% +1.1%

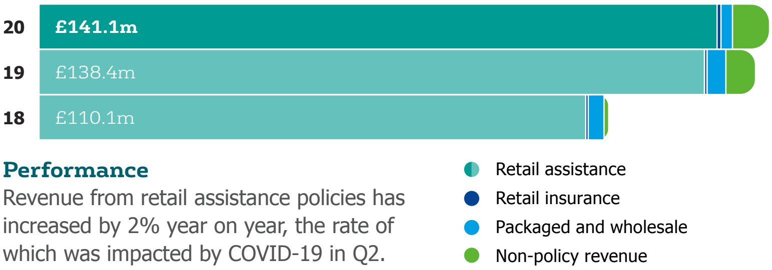


Performance

Our EBITDA margin has increased by 1.1 percentage points year on year reflecting an improving margin in Ongoing Operations and reducing central cost base.

Revenue from major products

£141.1m +2%



Performance

Revenue from retail assistance policies has increased by 2% year on year, the rate of which was impacted by COVID-19 in Q2. Non-policy revenue has increased by 20% reflecting further progress with Globiva and new claims handling services in the UK.

APM glossary on **pages 93 and 94**

Where we are

UK & EU Hub

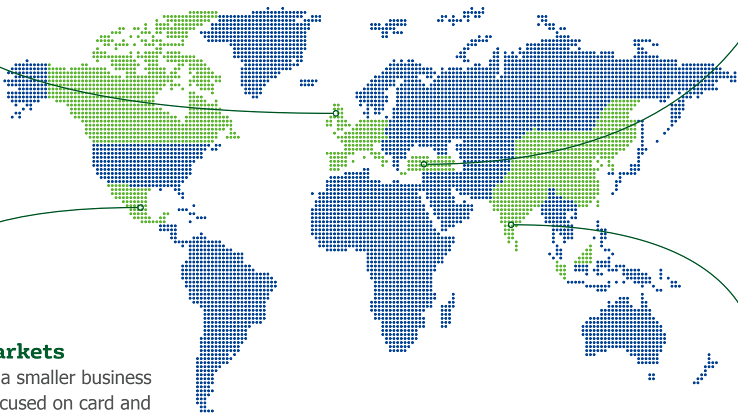
The UK is our longest-standing market and continues to innovate through repurposing as an MGA. The UK and our European markets operate well-established Card and Identity Protection books of business with a focus on driving value through product enhancements and high-quality customer service.

Read more on **pages 14 and 15**

Turkey

A strong multi-partner, multi-product business with a growing reputation for local partner innovation and cyber protection products – helping us to win multiple new contracts in 2020 and deliver a strong trading performance.

Read more on **pages 16 and 17**



Asia

India is the Group's largest and fastest growing business. The market offers organic growth through existing partnerships, maximising BPM opportunities through Globiva and adjacent market expansion into Bangladesh. Our operation in China is focusing on solutions tailored to the health and travel sectors.

Read more on **pages 12 and 13**

Other markets

We operate a smaller business in Mexico focused on card and identity products.

Reasons to invest in CPP

Customer and revenue growth is strong and we expect this to continue

driven principally by our Indian business but also benefiting from increasing scale in Turkey and the UK. Customer numbers have grown from 4.3 million at the end of 2016 to 11.7 million in 2020 and our existing partnership base gives us access to over 200 million potential customers.

Our partners are major global companies

for whom we create products that brings them ancillary revenue streams, profit and customer loyalty; as well as delivering highly-valued services to their customers.

Profits will increase further particularly in India

on the back of further successful products like LivCare, growth in Globiva and building economies of scale in our other territories. Operational efficiencies and cost savings have been realised through consolidation of our European businesses.

Partnerships

We are a trusted and low complexity option for partners to drive innovation and additional revenue.

>60

business partners

Our products are integrated into the point of sale of partners' core products improving relevance and reach.

>40

service provider partners

Market trends show an increasing demand for partnerships within banking and insurance sectors to fast track innovation whilst they focus on their core offering.

Increasing cash generation from growth markets and well managed back-books.

Strong net cash position at the end of 2020 of £21.9 million is augmented by profitable growing businesses in India and Turkey along with reliable cash generation from the legacy UK and EU back-books.

Our effective tax rate is expected to reduce through 2021/2

and begin to normalise as profitable markets continue to progress, losses diminish in territories where we have been investing for growth in recent years and central costs continue to be closely controlled. Historically no tax benefit has been available to CPP in relation to the start-up losses incurred by our investment for growth projects.

The Group's capital allocation strategy balances the financial health of the business, the ongoing requirement for investment into the business and returns to shareholders.

The Group has not paid a dividend since 2011. The last five years have been characterised by a substantial restructuring, repositioning and transformation of the Group in order to return the business to growth. With a healthy balance sheet and lower levels of investment spend now being required, the Board views the resumption of dividends as both timely and appropriate as well as reflecting the wider ambition of the Group going forward.

Proven track record of growing long-term partnerships with major brands in our local markets, providing access to **200 million** potential customers.

Business strategy

We will focus on adding new partners while strengthening our relationships with existing ones, and owning more of the value chain to further optimise our margins.

1

Focus on partner needs

Extend relationships with partners to maximise opportunities for product diversification and increase retention of partners and customers.

Our progress in 2020

- Widened product portfolio with existing partners, the most notable of these was in India with the LivCare product generating further impressive sales through Bajaj Finance Ltd (Bajaj).
- Extended our product portfolio in Turkey to appeal to additional segments of the DenizBank customer base.
- Widened the coverage of our Card Protection product in India, Turkey and Spain.
- Expanded our partner offering in the UK to include claims handling services for the RAC.

Priorities for 2021

- Focus on business partners for acquisition and servicing.
- Focus on robust governance and assurance frameworks.
- Further partner diversification to balance Group portfolio.

2

Create advantages through innovation

Broaden our product portfolio and improve our customer experiences.

Our progress in 2020

- Deployed a new digital claims journey in India reducing claims handling times and driving improvements in the customer experience and internal efficiencies.
- Switched to a cloud-based telephony servicing platform in the UK.
- Launch of new fully digital cyber and travel products in the Turkish market opening new product and channel opportunities.

Priorities for 2021

- Increase our participation in growing categories and channels through investing in product development.
- Increase usage of digital channels for in-life servicing and claims handling to drive further product engagement and increase retention.
- Launch of new technology platform in India further modernising our service delivery and connectivity with partners.

3

Develop our value driving markets

Prioritise resource allocation towards markets that provide the best opportunity for growth and strong returns.

Our progress in 2020

- Maintained service to all customers, across our markets, throughout lockdown whilst transferring customer service colleagues to home working.
- Closure of our small Southeast Asia office to focus resource on profit generating markets.
- Focused resource into our UK new business which has firmly established itself as an innovative UK MGA.

Priorities for 2021

- Own more of the value chain in key markets to increase margin and differentiation.
- Reprioritise sales channels in Spain away from expensive telemarketing to generate profitable returns.
- Focus on serving existing customers from a lower cost base in our Mexican market where new business activity has been less successful.

4

Take a different approach to culture

Invest in our people and our culture to grow our business.

Our progress in 2020

- Global Conversations with colleagues to understand the wider impact of the pandemic, giving us a platform to define new adaptable and productive working practices.
- Invested in our local leadership teams to focus on culture and behaviours to drive performance.
- Launch of our 'Learn More Be More' initiative – a space created for our people to explore and utilise to help them be the best version of themselves.

Priorities for 2021

- Develop the 'CPP Next Generation' initiative, re-establishing how we do business and how we work as a company to face the future.
- Launch a new peer support programme 'Home support' to understand the positive impact colleagues can have to be there for their peers to discuss professional or personal issues.
- Continue to promote diversity, inclusion and wellbeing initiatives.

Creating value for all our stakeholders

Delivering large-scale distribution partnerships to create value for all our stakeholders.

We are driven by

Our purpose – To reduce disruptions to everyday life

We are guided by

Our values

Our values and progressive culture enable us to innovate and build long-term relationships with partners and customers.

Our partners and mutual customers

Our local market experts are driven by our partners' and customers' needs for value through protection, reassurance, convenience and the removal of complexity.

Innovation

We use our innovation capabilities to bring together, customise and manage products from our service providers.

Effective governance

A strong Group governance framework provides oversight and support to our markets including a robust decision making and risk management processes.

We create and manage products and services

Partner-led design

Our decentralised operating model enables us to apply our local market know-how to offer tailored propositions and flexible commercial models to our partners.

Customisation and aggregation

We bring propositions to life through contracting with a wide range of market leading service, technology, lifestyle and insurance providers.

Distribution

We see most success when our products and services are offered at point-of-sale for our partners' core products.

Managing the customer experience

To ensure we are available when customers need us, we look after the design and implementation of the end-to-end customer experience.

Read our focus on India on **pages 12 and 13**

Read our focus on Turkey on **pages 16 and 17**

How we generate revenue

Retail

Products and services are sold as an ancillary offering alongside a partners' core product. Customers pay monthly or annual premiums to CPP and we pay commission to our partners. These can be one-time revenue streams or policies that will convert to a renewal. Our renewal books provide reliable revenue streams with lower associated acquisition costs.

Wholesale & non-policy

To drive differentiation and loyalty our products are embedded within a partners' core product where the partner pays CPP a fee per user. Non-policy revenue includes our growing BPM services.

The value we create

Customers

Protection of day-to-day assets.

Assistance and peace of mind.

Preventing and reducing disruptions and financial losses.

11.7m
customers

Business partners

Augment core products to enhance customer loyalty and ancillary revenue streams.

A trusted single brand to manage products, servicing and third party services.

Valuable MI & data analytics.

10%
increase in partnerships

Colleagues

A clear purpose at work and a commitment to the protection of our colleagues' professional and personal wellbeing.

78%
of colleagues enjoyed regular contact with their local teams and the International Support Centre (ISC) whilst working remotely

Over a third
of colleagues took part in our Global Conversation

Shareholders

Strong financial position and cash flows to deliver on strategy.

Resource concentration in markets that deliver profitable returns.

25 pence
per ordinary share final dividend proposed

Read our investment case on **pages 6 and 7**

Focus on India

CPP India's CEO, Deepak Matai, talks about how the Indian business responded to the pandemic to deliver a record breaking year.

£108m
revenue

16%
revenue growth

49%
EBITDA growth

The financial performance indicates that the business performed well. Can you summarise the impact that the pandemic is having and how you have responded?

We started the year strongly with revenue being over 40% higher in Q1 compared to 2019 but from late March we felt the impact of a full lockdown in India which hit our access to partner point-of-sale channels and our own tele-marketing structure.

We have a resilient model with our book of renewing customers growing and renewal rates continuing to hold up well. This contributed to a strong cash balance and resource to fund investments in our partnerships, product capabilities and digital experiences during the year so that we could respond to the market challenges in the optimum way.

During Q2's strict lockdown we focused on controlling variable costs and stayed close to our partners – listening to their challenges and innovating on their behalf as they concentrated on core business lines. We developed new features for SBI Card (SBI) customers – focusing on entertainment and tele-health features to enhance customer value and drive increased premiums per sale. It was this focus on cash conservation and our partners, combined with our local market expertise, which put us in a good position to see the business return to pre-COVID levels in Q3.

We saw a similar picture in our BPM company, Globiva. At the start of the crisis the business had over 2,000 billable seats which decreased to under 1,000 during Q2/Q3. During this time Globiva focused on reducing costs and investing in new partnerships – the business has now finished the year back over 2,000 seats and with 4 new partners which puts it in a good position for 2021.

I am immensely proud of our response to the pandemic as it sparked innovation, even closer relationships with our colleagues and partners and certainly helped to drive the excellent recovery we have seen in the business with Q4 achieving record-breaking sales and increases in average premiums.

Despite a robust performance, what hurdles remain and how might you look to mitigate these to ensure a positive 2021 outlook?

We continue to face challenges from the macro-economic environment such as increasing inflation and unemployment rates, a drag on consumer spending and the potential of future lockdowns. We will focus on mitigating these risks through improving the customer experience and product value to ensure the best possible renewal rates which, in turn, provide an ongoing and dependable source of revenue. In 2020, we did this through improving our claims process within our FoneSafe product by introducing pick up and drop services to enable easier claims and increased control of the proposition. We have improved our digital experiences through the launch of an online app to manage customer servicing and claims experiences. This digital service will also have an ongoing cost benefit.

We will look for opportunities to increase our ownership in the value chain to improve our margins and provide a wider service to key partners. As well as developing a technology platform to widen the range of mobile-first and digital sales and servicing channels to open up access to new partner channels and new customer segments. We will continue with our strategy of developing multi-product partnerships with new and existing partners to drive diversified business growth.

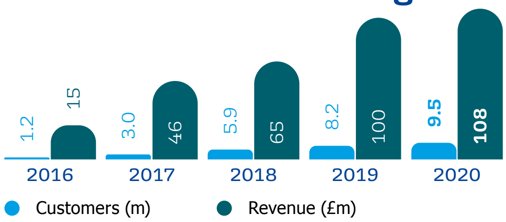
With that in mind, what are your longer-term aspirations for CPP India?

Our aim is to be the largest B2B products and service aggregator across financial services and telecoms sectors. To be highly valued by our customers and partners for providing tailored solutions and generating reliable ancillary revenues. Our path to do this is to package and manage micro-insurance offerings from multiple providers alongside our headline propositions of Card Protection, FoneSafe, Asset Secure and LivCare.

Our method is quite simple, but hard to replicate. We will continue to deeply embed ourselves in our partners' business and develop multi-product relationships, a model that has served us so well with Bajaj and one that we are making inroads in replicating with partners such as SBI and Tata Capital who have recently added LivCare to their offering.

Deepak Matai
Chief Executive Officer, CPP India
23 March 2021

Revenue and customer growth



Year in review

Q1

- 1.9 million policy sales in Q1 (+43% on Q1 2019).
- £31 million revenue in Q1 (+74% on Q1 2019).
- Award for Best Risk Management Framework and Systems' award in the Emerging Companies category at the annual CNBC-TV18 India Risk Management Awards for 2020.

Q2

- Sales reduced to less than 30% of normal levels as access to point-of-sale channels in retail stores closed.
- Focus on variable cost controls.
- Focused on engagement with partners.

Q3

- Developed new product line, Credit Protekt for launch with Tata Capital in 2021.
- Increased value to customers with the addition of entertainment features and online doctor support into Card Protection product for SBI Card.

Q4

- Performance returns to pre-COVID levels with a record-breaking 750,000 sales in one month.
- Launched our claims app for FoneSafe to improve the customer experience and drive efficiencies.
- Ended the year with 9.6 million customers.
- 2.2 million policy sales in Q4 (+12% on Q4 2019).
- £36 million revenue in Q4 (+22% on Q4 2019).

Focus on UK

CPP UK's MD Michael Whitfield talks about how the UK business has changed and how building a Managing General Agent (MGA) business will drive future success.

241%
revenue growth

0.2m
customers

The UK is a well-established market for CPP but in 2018 you announced a relaunch. How has this progressed and what are the key components of the business now?

CPP UK has developed into a well-established MGA business from a standing start in just two years. We have won and launched new partnerships in the year including RAC and Gallagher. This is complemented by a strong 2021 pipeline, with inbound approaches from prospective partners which is a significant change in momentum for the business.

We accelerated this growth through the acquisition of Business & Domestic Insurance Services (B&D) in late 2019 which has held-up well throughout the pandemic. The B&D product portfolio is now fully integrated, enabling us to offer a full suite of ancillary products to be sold alongside motor, property and SME insurance. In addition, we have developed a range of innovative, award winning cyber products and services.

Another vital component is our legacy Card and Identity Protection business, where we have a strong heritage in claims handling and customer service excellence. We have taken proactive action to ensure that we continue to deliver value to our existing customer base through increased engagement, simplification of our claims process and contacting certain cohorts of customers to ensure they are still receiving value from the product. This has led to a reduction in legacy revenue and profit delivery in line with our expectations. In the medium-term gross written premiums from the MGA business will increase, demonstrating the gradual shift in the business model.

The pandemic has accelerated our digital innovation. This included relocating our contact centre in York to our Leeds headquarters, alongside full virtual working arrangements and a switch to a digital multi-channel customer servicing platform to help modernise and widen our customer channel options.

What are the longer-term aspirations for the CPP UK business and what steps are being taken to accelerate success?

Our ambition is to become the 'go to' MGA and ancillary product provider. We intend to own a major part of the value chain, including taking some of the insurance risk, which will increase our speed to market. Our claims handling expertise, growing partnership network and product development capabilities will help us towards realising the vision.

We will amalgamate our legacy and new UK business activities to enable us to capitalise on the expertise of both teams and drive forward a combined UK business which is a significant contributor to Group revenue and profit. This new structure will serve to protect our regulated back book income and processes within the legacy business whilst also giving the new business team a more solid and scalable infrastructure in which to grow new business; advancing our reputation as the one-stop shop for ancillary products and services.

Michael Whitfield
Managing Director, CPP UK
23 March 2021

What our customers have to say

"I just wanted to say thank you for all your help getting our key replaced. It's all sorted and everything is as it should be. A very professional and prompt service. Appreciate it."

(RAC customer)

Europe

Our markets in Europe are focused on maximising product value for our long-standing Card Protection renewal customers to ensure reliable recurring revenues. We believe our markets in Europe, particularly Spain, have potential to grow and we will implement a new operating model in 2021 to separate our legacy and new business elements. New business will be refocused to different sales channels and away from telemarketing channels, which have a high upfront cost, to generate a quicker and more reliable return on investment. The repositioning of the business will also lead to additional cost efficiencies.

Focus on Turkey

Selnur Guzel, our CPP Turkey CEO, discusses how the team have delivered on their plans through a dedication to business partners, innovation and customer service.

9%
revenue growth

97%
EBITDA growth

0.6m
customers

3
new partners

It has been a difficult year for most businesses and global economies. However some of the challenges faced in Turkey have been unique. How has performance in your market fared?

It is true that we have faced some of the worst economic conditions seen for over 20 years, with the Turkish lira depreciating significantly, inflation hovering around 20% and a global pandemic. Despite all these pressures we have achieved our original pre-pandemic targets and grew our retail volumes by 15% with renewal rates holding at around 56%.

The pandemic presented opportunities and due to the efforts from my team, the collaboration we enjoy with partners, and the support we receive from the Group, we were able to deliver a number of product extensions. This included the launch of the first travel parametric insurance product in the market and a new cyber product. The most notable product extensions were the adaption of our long-standing Card Protection product line to include mobile payments protection and a customised version of the product adapted for the agricultural market which we launched with DenizBank in October (achieving 40,000 new customers by the end of the year).

In the midst of all this innovation, I was heartened by CPP Turkey being recognised as a 'Great Place To Work' by the GPTW Institute and by the response of our contact centres that adapted our systems and processes to work from home whilst delivering reduced levels of agent attrition and improved sales conversions.

What are the strengths of CPP Turkey that puts it in a position to withstand further volatilities in the market and capitalise on opportunities?

Nothing is more important to us than delivering high-quality service, technology and customer-driven experiences to business partners. This firmly held belief helps us to nurture and protect our long-standing strategic partnerships with major brands such as AXA, Vakifbank, Denizbank and Garantibank whilst creating new opportunities with Türkiye Sigorta, Halkbank and Akbank.

Average length of partnerships

We can only maintain long-standing partnerships through the strength of our service and ability to innovate. The decentralised model that CPP operates helps us to innovate in exactly the way our partners and the market require us to – the launch of the agricultural product targeted at the farmers community is testimony to that.

Increasingly our differentiator is creating digital-led innovations for partners and it is setting us apart in a competitive market. We further developed our credentials in this space through securing deals with Ray Sigorta as well as DenizBank and AXA Sigorta for our proactive dark web monitoring service, Cybercare.

In addition we developed a parametric travel insurance product, Travel Smart, for insurance provider Anadolu Sigorta. The product was selected as winner in the Best Technology category at the Turkey Payment System Magazine – building on our previous success at the same event in 2019 where we won the 'Most Innovative Product' for our CyberCare product. This is reinforcing our reputation as the key partner in the Turkish financial services market and is paving the way for a strong pipeline for 2021 and beyond.

Selnur Guzel
Chief Executive Officer, CPP Turkey
23 March 2021

A culture driven from the Centre

Justine Shaw
People & Culture Director

Adapting our culture to new perspectives

At CPP we know that the right people-centric culture, focusing on the behaviours we value, builds a successful and sustainable business. A good culture enables good governance, when people feel safe to speak up and share insights and issues.

During 2020, this was exemplified by work carried out to respond to the differing impacts on colleagues created by COVID-19 and the huge social movements for change that arose during the year.

At the immediate outset of the pandemic this led to an online discussion forum being created to ensure colleagues could stay connected and supported from the centre despite working remotely.

We conducted a major listening exercise, comprising of small workshops led by senior leadership plus online polls and conversations to consider ways the business could adapt over the long-term to reflect new outlooks created by the changing world around us.

Principles for the future

Using the overarching themes raised by colleagues, teams within the ISC developed a set of principles that outline future ways of working and expectations.

Each principle affirms the business' thinking on areas such as flexible working, inclusivity, staying connected, wellbeing, equality and development. They are all underpinned with the commitments required of both colleagues and managers.

A series of new initiatives have been rolled out to bring the principles to life. These include launching a peer support network to give all colleagues access to advocacy and advice in their professional or personal lives; a new online peer recognition tool to celebrate the day-to-day achievements of our people; a series of video tutorials to improve the separation between work and home life; and a suite of guidance and advice covering five key areas of wellbeing – physical, mental, digital, social and financial – for colleagues to access and build their knowledge.

What our colleagues told us about the impact of the pandemic

People want more choice to work in a hybrid way – 87% of people that took part in a poll said that they would like to carry on working from home but go to the office when they need/want to

People missed peer to peer connection with colleagues and those opportunities for informal chats and moments for spontaneous collaboration/inspiration

Colleagues expressed an ambition to tackle social issues that affect everyone and be supported through the process

Colleagues felt that we've shifted our mental models from the belief that we need to be in an office from 9-5 to be productive to one that is output based

People were enjoying a better work/life balance. "I only used to see my 9 year old for 45 mins in the evening. I'm now seeing her when she's awake and that is brilliant."

ISC

- Technology
- Business change
- Finance
- Internal Audit & Risk
- Product development
- Marketing
- Legal
- Insight
- Communications
- Culture

Based in Leeds, UK, our ISC sets the overall direction and strategy for the Group, provides oversight and control, technology solutions and nurtures the Group's culture.

Technology

Our central technology team are key to the delivery of our overall business objectives. They enable us to operate flexible and secure systems across multiple geographies.

Key achievements in 2020 included managing the transfer of customer data for India and Turkey to local servers to comply with new regulation in these markets. We have also completed a series of integrations with key partners in value-driving markets which improve data quality, collections and renewal rates. These integrations further embed CPP within our partners' core processes.

In addition, we have moved to a cloud-first approach with programmes of work underway to deliver corporate infrastructure and back-end customer databases to cloud technologies.

We have made solid progress in the delivery of a new technology platform for India. We have recruited a development team in India that will look to launch the initial platform towards the end of 2021. Our priority is ensuring this platform is developed in a way that supports growth of the Indian business and reduces the overall cost of IT. The structure of this platform can be easily transferred to our other markets in the future.

Product and user experience

Our central product team work closely with the local market teams to share best practice and provide challenge and expertise to hone the execution in market. In 2020 we have seen a number of new products launched across the Group all of which fit into the wider product strategy and deliver on our core purpose.

The team manage the Group's own digital products working with the markets to drive distribution. This will be an area of greater focus in 2021 as we see greater potential for these products to deliver differentiation and growth across the Group.

The central team have made good progress in digitising key elements of our customer journeys and experiences across a range of products and markets in the Group.

Finance and assurance

Our central assurance team ensure that we have oversight of regulatory changes and potential impacts across the markets. This is combined with a robust risk management programme using a common assessment methodology providing greater granularity of detail on individual risks and increased transparency of scale of threat levels and their trend direction.

Our central finance team have had a key role to play during 2020 managing available cash balances across the Group and ensuring strong cost control measures are in place to mitigate against the reduction of income during the early days of the pandemic.

I am pleased to present my first report as Chairman, having joined the Board in mid-November and assumed this role at the end of January 2021.

In the time that I have been involved with the business I see evidence of a strategy evolving, as well as products, services, partners and operating capabilities that I am confident will generate growth in the next few years, as well as satisfactory returns to shareholders.

A year ago, few people had comprehended the implications of the COVID-19 pandemic and its impact on companies and their customers. It is to the considerable credit of the management and our people that, having suffered from the impact of COVID-19, particularly in the second quarter, the Group was able to recover and operate so strongly in the latter part of the year; a performance that provides encouragement when considering the outlook for 2021 and beyond.

At the time of writing, we remain in the grip of the pandemic, though news regarding vaccines provides hope that a return to a more normal environment will take place over the next few months. In the meantime, we remain focused on the health and safety of our colleagues and we continue to follow government guidelines in each of the countries in which we operate.

Results

The operational progress is reflected in the results considered in this Annual Report. Revenues increased to over £140 million, driven by a growth in customer numbers and I am also pleased that, in the current climate, we continue to add new partnerships such as Gallagher in the UK. Combined with improved operational efficiency, this has resulted in EBITDA of £7.2 million (2019: £5.4 million). CPP retains a strong balance sheet, with cash amounting to £21.9 million as at 31 December 2020 (2019: £22.0 million).

People

These achievements could not have been delivered had it not been for the commitment and fortitude of our colleagues throughout the organisation. On behalf of the Board, I offer my thanks to all of them.

The Board has seen several changes with Simon Thompson joining as a Non-Executive Director in June, prior to my own appointment in November. After the financial year ended, Sir Richard Lapthorne retired as Chairman, a role he had held since May 2016, and Nick Cooper also left as a Non-Executive Director at the end of February. I would like to thank them both for their service to the Company and to wish them well.

Dividend

I am pleased to announce that the Board is recommending the re-introduction of a dividend for the first time in almost ten years. This reflects confidence in the future of the Group and the prospect of rising profitability and cash generation. The proposed final dividend for the year is 25 pence per ordinary share.

Whilst wholly contingent on financial results, the economic climate in the countries in which we operate and there being no material adverse and unforeseen developments, it is the Board's intention to increase the dividend paid over the next few years.

David Morrison
Chairman
23 March 2021

2020 was a year characterised by robust financial and operational progress despite the disruption caused by the COVID-19 pandemic.

We are growing the business and building value for shareholders and, while the pandemic meant we had to adapt rapidly to new ways of working as well as with changing consumer behaviours, our organisational culture and focus on forging long-lasting relationships with our partners meant we were able to navigate its challenges, grow and end the year a stronger business.

Revenues for the year were up 7% to £141.1 million, underpinned by growth in our customer base of 11% to 11.7 million. This performance bodes well for what we can achieve as trading conditions begin to normalise. India, the Group's main market, was again the major contributor after a stronger than anticipated recovery in the second half, supported by a steady performance in our Globiva and Turkish operations and from a solid performance in the renewal books in the UK and EU markets.

The pandemic will have far-reaching impacts on the global economy. We will need to monitor this closely, and further work will be done from an organisational perspective to position the business for sustainable and profitable long-term growth, but CPP is a resilient and efficient business capable of delivering against the most difficult of backdrops.

With the hard work that has gone into transforming the business in recent years, signs of recovery from the pandemic across several of our markets, favourable long-term market trends and continued traction across our growth markets, there is a sense of optimism in the business.

Crossing an inflexion point

In last year's results, we reported that adjusted EBITDA from our Ongoing Operations was on a par with EBITDA from our Restricted Operations. The former has now surpassed the latter, marking the moment where the Group has overcome the decline in its UK renewal book and is now on a growth trajectory underpinned by the progress being made in India. Our legacy business remains an important part of the Group, but the key measures of value from a profit and cash perspective now lie within our ongoing business.

Our operating model across the Group is based on strong, self-sustainable and largely independent country businesses with vertical integration of people and systems, overseen by our central team from a governance, assurance and finance perspective.

Crossing an inflexion point continued

India

India remains the standout performer. While second quarter sales activity fell to less than 30% of normal levels because of lockdown conditions, we saw a better-than-expected return of partner and consumer confidence in the second half, leading to sales levels through Q4 surpassing the previous year. Alongside the resurgence in demand for protection for mobile phones and household appliances, we also saw encouraging uptake of our products tailored to the largely untapped rural market.

Globiva, the Indian business process management company in which we own a majority stake, saw a similar uptick in the second half as government restrictions eased. The number of billable seats is back up to over 2,000, having fallen to a low of 975 during the local lockdown, from a high of 2,000 in the first quarter pre-pandemic. In August, the founders of Globiva exercised their right to repurchase 10% of the company's share capital, reducing CPP's controlling interest to 51%, demonstrating the confidence they have in the prospects of the business.

The long-term structural drivers around the growth of the Indian middle class and their associated spending patterns remain intact. These factors alongside the fact that our two main partners in India, Bajaj and SBI, have outperformed the rest of the market, will ensure that CPP remains well-placed to benefit from this expanding consumer segment.

Turkey

In Turkey, we benefited from the diversity of our partner base and product range in the period, faring well overall despite the impact of the pandemic. We continued to expand our existing relationships, most notably with Denizbank, and explore new ways to grow our presence in the market through signing new partners and introducing new products and services into the sector.

UK

We continued to make progress in the year in establishing our new business in the UK. The integration of B&D is now complete. We have made encouraging headway in signing new partners in our home market, and the focus for 2021 will be on building those opportunities.

We have increasingly seen the new and legacy businesses in the UK complementing each other and in 2021 we will be delivering greater synergies and efficiencies between them under a single business structure and leadership.

Operational changes

In line with our commitment to drive operational efficiency across the Group and to maximise value from our assets, as previously announced we closed our small Southeast Asia office in May. This activity has continued in Q1 2021 where we have further restructured our EU Hub to provide operational focus and efficiencies and ceased our new business efforts in Mexico where we will instead focus on running the renewal book efficiently with a smaller team. Having built the parametric platform along with an innovative product set and strong pipeline the Blink founders have decided it is the right time to look to new opportunities away from CPP. We will bring the Blink operations under central management to further leverage our expertise in distribution and drive growth in the parametric product set. In addition, in Q2 2021 we intend to close our Malaysian operation where the customer base has reduced to a level that is economically unviable. We will continue to apply strict resource allocation methodology to our operations, ensuring we focus investment in the areas of the business that have the strongest prospects for delivering strong, sustainable and profitable medium to long-term growth.

Growing and strengthening our partner base

The fact we were not only able to maintain our partner base but grow it demonstrates the value our business partners attach to our services, even as their own priorities shifted and evolved in response to the pandemic.

As the key route to market for our products, our partners are at the heart of everything we do – the success of the business hinges on our ability to understand their customers' needs and provide products and services that meet them. Our strategy is to widen our addressable market by adding new partners while strengthening our relationships with existing ones, and expanding the products we provide to them. The last year has both tested those relationships and strengthened them, as we have been able to respond to the impact of the pandemic on their businesses and customers.

In India, for example, we further strengthened our relationships with Bajaj and SBI, two key regional partners. We have worked closely with Bajaj through the pandemic which helped drive the recovery in second half, and with SBI we have tweaked our product offering to better suit the needs of their customers during this health crisis. Both Bajaj and SBI are excellent examples of large-scale businesses with which we have established strong partnerships and have incrementally built revenues over time.

We signed partnerships with Vakifbank, the third largest bank in Turkey, Akbank and Türkiye Sigorta, a state-owned insurance company, all of which we expect to develop in 2021. These and other new partners reflect the very healthy levels of interest we are seeing in Turkey from financial services businesses looking to add additional revenue streams and bolster their competitive advantage through complementary products and services.

In the UK, we signed several new partnerships including Gallagher and RAC. Being trusted by organisations of this calibre is a valuable endorsement of the quality of our offering in our home market, and we look forward to continuing to deepen our relationships with them while developing other opportunities elsewhere.

Our culture

Our people are critical to the commercial success of the business and we have worked hard in recent years to bring everyone in the Group closer together and cultivate a supportive and inclusive culture built on trust and clear communication. With the sudden and widespread shift to remote working that took place in the first half, I have no doubt that the investment that has been made in our culture was a key factor in the success of the transition and the high levels of productivity and service levels that were subsequently achieved.

Our focus in 2020 has been on protecting the wellbeing of our colleagues around the world. With most having worked from home for the majority of the year, we have emphasised the importance of connection and collaboration, and measured performance against output and contribution rather than hours at a computer. Our approach is epitomised by our global conversation initiative, in which we spoke to colleagues from around the world to find out what is important to them, what their concerns are and how we can help them cope with change. From there, we were able to formulate new ways of thinking and innovating that will be of benefit to the Group for years to come.

I would like to take this opportunity to thank our colleagues for the way they have responded to the pandemic and for their hard work and dedication in driving the business forward in challenging circumstances.

Financial performance

Group revenue increased by 7% to £141.1 million (2019: £138.4 million) reflecting the strong performance in our key growth market, India, both in our core business and in Globiva. This was supported by a resilient performance in our Turkish operation and the consistent performance of our renewal portfolios in the UK and EU. This revenue performance was underpinned by continued growth in our customer numbers, which increased 11% to 11.7 million (2019: 10.6 million) and a renewal rate of 68.9% (2019: 68.7%). The growth in our customer base and the renewal rate remaining steady, despite the impact of the pandemic, is an endorsement of the continued customer demand for the products we create and distribute.

Our customer base of 11.7 million comprises cohorts of customers that are different in nature: 3.4 million are via our traditional customer model where the sale is typically made alongside the partner's core product and we retain the right to renew the customer at the end of the policy; 6.5 million are one-time point-of-sale products (for example, sold alongside a loan for a mobile phone or a consumer durable); and 1.8 million are wholesale customers which typically attract a lower premium as they are offered the product by partners as part of a larger package of services.

EBITDA has increased 49% to £7.2 million (2019: £5.4 million). The improvement reflects growth in India along with a carefully managed and reducing central cost base partially offset by the ongoing decline in our UK and EU renewal books. Adjusted EBITDA, which excludes losses from investments for business growth projects, has increased to £10.3 million (2019: £8.7 million). Operating profit has increased to £3.3 million (2019: £1.6 million).

Profit before tax has increased to £2.0 million (2019: £1.1 million) however, our effective tax rate (ETR) remains high in 2020 at 179% (2019: 183%) which is driving the reported loss for the Group of £1.6 million (2019: loss of £1.0 million). We expect our ETR to reduce to less than 100% in the short to medium-term as our loss-making operations reduce their losses through either business development or restructuring activities, such as those already undertaken in 2021, and volatility from one-off charges is lowered. The ETR will remain higher than the UK statutory rate of tax due to the jurisdictions in which profits are generated.

Our Restricted Operations are in natural decline. As announced in last year's results, we decided to take more proactive action with certain elements of the historic renewal book in the UK which reduced renewals in 2020. As a result, and as expected, revenue and EBITDA in this segment were 24% and 42% lower than in 2019 respectively. The proactive programme with our customers will continue in 2021 which is expected to further accelerate the decline in our customer base and revenues.

Current trading and outlook

During 2020, the COVID-19 pandemic presented us with unexpected challenges. As a Group, we responded to these quickly and effectively and as a result, we were able to deliver strong growth in customer numbers, revenues and EBITDA, while being mindful at all times of the safety and wellbeing of our colleagues globally.

Although the pandemic persists, the ability to adapt and innovate during 2020 in a variety of ways, as uniquely required by each of the markets we operate in, gives us confidence that we will achieve further solid progress in 2021. This is a view supported by the trends we are seeing in the business in our trading performance year-to-date, notably in our most important market, India.

Our balance sheet is strong and this, combined with our confidence in the outlook, is reflected in our decision to recommence dividend payments for the first time since 2011.

Jason Walsh
Chief Executive Officer
23 March 2021

The Group's financial performance in 2020 has shown good progress on the previous year. This performance has been achieved in the face of the pandemic where new sales in all of our markets were curtailed in the early months of the crisis. The subsequent recovery in these markets has been solid and is testament to the value customers and business partners see in our products.

	2020 £'m	2019 £'m
Revenue	**141.1**	138.4
Gross profit	**37.0**	40.5
EBITDA[1]	**7.2**	5.4
Operating profit	**3.3**	1.6
Profit before tax	**2.0**	1.1
Taxation	**(3.6)**	(2.1)
Loss for the year	**(1.6)**	(1.0)
Basic loss per share (pence)[2]	**(19.3)**	(11.7)
Cash generated by operations (£ millions)	**6.2**	2.8
Dividends (pence)[3]	**25.0**	—

1. Excluding depreciation, amortisation and exceptional items.
2. 2019 has been restated to reflect the impact of the share consolidation completed on 29 May 2020. Further details provided in note 3 of the consolidated financial statements.
3. Final dividend proposed.

Overview

Group revenues increased 7% on a constant currency basis to £141.1 million (2019: £138.4 million), with growth being driven by our Indian market. EBITDA across the Group improved to £7.2 million which is a 49% constant currency increase on the previous year (2019: £5.4 million). The improvement reflects growth in India along with a carefully managed and reducing central cost base. These advances are offset by the ongoing decline in our UK and EU renewal books. The Group's adjusted EBITDA for 2020, which excludes losses associated with business growth projects, for 2020 is £10.3 million (2019: £8.7 million). This trading progress has led to operating profit more than doubling to £3.3 million (2019: £1.6 million).

As our businesses develop this is driving an improvement in EBITDA margins through a combination of profitable growth, reduced losses and lower central costs. We expect this trend to continue with EBITDA margins improving in the coming years. This will be achieved through our loss-making businesses moving into breakeven or profitable positions in the short to medium-term, and margins being further augmented by increasing our share of the value chain through investments like Globiva.

Gross profit has reduced by 9% to £37.0 million (2019: £40.5 million). As a result, our gross profit margin has reduced to 26% (2019: 29%) reflecting the growth in our Indian business which has higher costs of acquisition associated with sales than the UK and EU renewal book businesses it is replacing. We expect our gross profit margins to continue to reduce (albeit at a lower rate) in the medium-term whilst growth is predominantly driven by India and the legacy renewal books diminish.

The cost base continues to be proactively managed with administrative expenses, before depreciation and exceptional items, reducing by 15% in the year. This reduction follows strict controls implemented on discretionary expenditure and the realisation of savings from streamlining the EU Hub operation in 2019. The focus on costs will be maintained in 2021 with further savings expected to be driven by operational changes in our EU Hub and action being taken on under-performing markets that continue to require central support.

As a result, EBITDA has increased to £7.2 million (2019: £5.4 million).

Depreciation charges have increased marginally to £3.5 million (2019: £3.3 million) mainly due to Globiva's larger operational footprint as it continued to grow throughout 2020.

Exceptional items charged to operating profit total £0.4 million (2019: £0.5 million) which includes £0.8 million goodwill write-off in Blink following the impact COVID-19 has had on travel insurance which is its primary market and a £0.1 million goodwill impairment of Valeos. In addition, there were £0.2 million of restructuring costs relating to the closure of our Southeast Asia operation. These costs have been partly offset by a £0.7 million credit relating to the reversal of historical customer redress liabilities.

The growth in EBITDA, in conjunction with the exceptional items and depreciation charges results in operating profit increasing by 151% on a constant currency basis to £3.3 million (2019: £1.6 million).

Net interest and finance charges have decreased to net £nil (2019: £0.5 million) due to foreign exchange movements. Other gains and losses are a charge of £1.3 million (2019: £nil) reflecting the one-time impact of cumulative foreign exchange balances being reclassified from reserves to the income statement following the closure of dormant overseas branches. Due to the one-off nature this charge has been treated as an exceptional item outside of operating profit.

As a result, the Group's profit before tax was £2.0 million (2019: £1.1 million) and our loss after tax was £1.6 million (2019: £1.0 million).

Quarterly performance

REVENUE GROWTH[1]	Q1 2020 £'m	Q2 2020 £'m	Q3 2020 £'m	Q4 2020 £'m	FY 2020 £'m
Ongoing Operations					
India	74%	(31)%	8%	22%	**16%**
EU Hub	(20)%	(16)%	(15)%	(15)%	**(16)%**
Turkey	1%	(5)%	15%	21%	**9%**
Rest of World	35%	12%	19%	17%	**20%**
Total Ongoing Operations	53%	(27)%	5%	18%	**11%**
Restricted Operations	(34)%	(25)%	(21)%	(13)%	**(24)%**
Group revenue	41%	(26)%	2%	15%	**7%**

1. Revenue growth is on a constant currency basis compared to the corresponding quarter in 2019.

Tax

In 2020 the tax charge is £3.6 million (2019: £2.1 million) which is an effective tax rate (ETR) of 179% (2019: 183%). The high ETR reflects that losses in our developing markets currently reduce the overall Group profit before tax to a level that is lower than the tax charges recognised in our profitable markets. This is further exacerbated by Group policy that deferred tax assets should only be recognised when profit forecasts indicate tax losses will be utilised in the short-term. By their very nature, our developing markets are investments for growth and profit expectations in the short-term lead us not to recognise deferred tax assets in these markets. Whilst the overarching trend is a reduction in losses and central overheads, the ETR continues to be impacted by the level of losses in markets which remain in development at the end of 2020 for which we are unable to get tax benefits through recognition of deferred tax assets.

The Group's ETR is further impacted by additional factors such as local tax rates applying to our profitable countries which are higher than the UK corporate income tax rate of 19%. As the most profitable of our markets, India is a contributor to the high ETR with a local tax rate of 25.2%. In total, the tax charge includes £1.7 million of Indian tax (2019: £1.2 million). The tax rates in Turkey and the EU Hub are also higher than the UK statutory rate which further adversely impacts our ETR.

As cash is increasingly generated in our overseas markets repatriation planning to the UK is important as we re-establish a dividend policy. In 2020, the tax charge included a provision for withholding taxes arising on dividend repatriations of £0.8 million (2019: £0.3 million). The charge included £0.5 million provided on distributions paid in 2020 and an additional £0.3 million is provided through deferred tax on distributions expected to be paid in 2021. The majority of the withholding taxes arise on distributions made by our Indian operations, however withholding taxes have also been provided on expected Turkish and Italian distributions.

Adjusted ETR

	2020			2019		
	Reported £'m	Exceptional items[1] £'m	Adjusted £'m	Reported £'m	Exceptional items[1] £'m	Adjusted £'m
Profit before tax	**2.0**	**1.7**	**3.7**	1.1	0.5	1.6
Tax	**3.6**	**—**	**3.6**	2.1	0.1	2.2
ETR	**179%**		**99%**	183%		134%

1. Refer to note 6 of the consolidated financial statements.

The total exceptional charges arising in the year of £0.4 million also had an adverse effect on the ETR as they were not available for tax relief. The effect of these charges has been a reduction in profit without a corresponding tax credit. Without these one-off items in 2020, the Group's ETR would have been 99% (2019: 134%), which demonstrates the reducing nature of the Group's underlying ETR.

The ETR is expected to remain higher than the UK statutory tax rate in future years as we continue to make profits in territories with higher tax rates than the UK, provide for withholding taxes on overseas distributions and continue to generate losses in developing markets against which we are not able to recognise deferred tax assets. However, overall, we expect a progressive reduction in our ETR as our loss-making operations reduce losses through either business development or restructuring activities, such as those already undertaken in 2021, distributions from overseas countries stabilise and volatility arising from one-off charges are reduced.

Dividend

The Group performed resiliently in 2020 and is confident in its ability to grow its revenue and profits going forward. In addition, CPP's restructuring phase is now nearing completion and the level of investment expenditure required to operate the existing business will be on a declining trend from this point.

These factors have led to a review of the Group's capital allocation policy and the Directors have proposed a final dividend of 25 pence per ordinary share. The proposed final dividend is subject to approval by shareholders at the AGM and is expected to be paid on 12 May 2021 to all shareholders on the Register of Members on 9 April 2021 with the ex-dividend date being 8 April 2021.

Foreign exchange

Uncertainty in the global economy increased volatility in exchange rate movements in 2020. This has adversely impacted the reported results when comparing to the prior year. The largest impacts have been in our Indian and Turkish businesses where the exchange rate has depreciated by 6% and 29% respectively in 2020.

The reported results compared to 2019 include the following adverse foreign exchange movements: £6.8 million (2019: £0.1 million) within revenue; £0.6 million (2019: £0.1 million) at an EBITDA level; and an exceptional foreign exchange loss of £1.3 million (2019: £nil) recognised through other gains and losses.

APM glossary on **pages 93 and 94**

Cash flow and net funds

	2020 £'m	2019 £'m
EBITDA	**7.2**	5.4
Exceptional items[1]	**(0.3)**	(0.5)
Non-cash items	**1.5**	1.6
Working capital movements	**(2.2)**	(3.7)
Cash generated by operations	**6.2**	2.8
Tax	**(3.0)**	(1.7)
Operating cash flow	**3.2**	1.1
Capital expenditure (including intangibles)	**(1.8)**	(3.7)
Lease repayments	**(1.7)**	(1.6)
Proceeds from Globiva partial disposal	**0.3**	—
Net finance revenues	**0.4**	0.1
Costs of refinancing	**(0.1)**	—
Net movement in cash[2]	**0.3**	(4.1)
Net funds[3]	**15.3**	14.9

1. Exceptional items represent cash costs relating to restructuring; all other exceptional costs in the year were non-cash.
2. Excluding the effect of exchange rates.
3. Net funds comprise cash and cash equivalents of £21.9 million (2019: £22.0 million), a borrowing asset of £0.1 million (2019: £nil) and net investment lease assets of £nil (2019: £0.2 million) less lease liabilities of £6.7 million (2019: £7.3 million).

The net funds position has increased to £15.3 million (2019: £14.9 million) which includes cash of £21.9 million (2019: £22.0 million). The Group has generated additional cash of £0.3 million in the year with increased cash generated by operations and lower capital expenditure being partly offset by increased tax payments.

Cash generated by operations has increased to £6.2 million (2019: £2.8 million) reflecting the growth reported in EBITDA and a reduced working capital outflow following a net benefit in the year from India. Cash generated by operations includes a cash outflow of £3.5 million (2019: £2.3 million) as we continue to build capability in our investment for growth projects.

Tax paid has increased to £3.0 million (2019: £1.7 million) due to profitable growth in India which increases the tax paid and the payment of withholding taxes on overseas dividends to the UK.

Capital expenditure has reduced to £1.8 million (2019: £3.7 million). This reflects a reduction in IT development, the completion of projects in the prior year, and IT investment being concentrated on the Indian product platform which is largely being developed in-country at a lower cost than in the UK.

The acquisition of Globiva included provision for the founders to repurchase 10% of the share capital at a pre-agreed value on the successful achievement of certain business targets. The targets were met in early 2020 with the founders exercising their right and paying £0.3 million to the Group.

The broadly flat cash profile demonstrates that cash generation in markets like India and Turkey and our Restricted Operations renewal book together with ongoing cost efficiencies, has now reached the point where it is sufficient to fund the costs associated with our investments for growth operations and our central cost base including Group IT. This improving profile of cash generation will continue as our key markets continue to grow and we reduce losses in our other markets through either successful business development or appropriate management action.

As the Group's growth has shifted to overseas markets a material amount of the cash balance is generated in India and Turkey along with cash generated by the EU renewal books. These markets are profitable which enables repatriation of funds to the UK. There are tax costs associated with returning these funds to the UK with our blended cost being approximately 10%. As a result of accounting recognition principles cash generated in India exceeds the profits generated and available to distribute and therefore careful cash planning is in place. This along with our regulatory requirements in the UK, result in £2.1 million cash not being immediately available to the Group, albeit the Indian funds are fully available for use by the Indian business.

During the year the Group renewed its £5.0 million revolving credit facility (RCF) for a further three-year term which in the current economic environment was a strong endorsement of our financial stability. The RCF is not currently drawn.

Events after the balance sheet date

The Group has undertaken a series of restructuring activities in Q1 2021 as it re-balances its resource allocation policy and addresses markets where large-scale operational efficiencies are available or there is no clear indication of medium to long-term profitability. Action has been taken in our Blink, Spain, Mexico and Malaysia businesses and is expected to result in total restructuring costs in the range of £1.1 million to £1.4 million. The restructuring activity is expected to generate annualised cost savings in the range of £1.1 million to £1.4 million.

Segmental performance

REVENUE	2020 £'m	2019 (restated)[1] £'m	Change	Constant currency change
Ongoing Operations				
India	**108.4**	99.6	9%	16%
EU Hub	**14.0**	16.5	(15)%	(16)%
Turkey	**3.8**	4.4	(14)%	9%
Rest of World[2]	**3.9**	3.4	15%	20%
Total Ongoing Operations	**130.1**	123.9	5%	11%
Restricted Operations	**11.0**	14.5	(24)%	(24)%
Group revenue	**141.1**	138.4	2%	7%

EBITDA	2020 £'m	2019 (restated)[1] £'m	Change	Constant currency change
Ongoing Operations				
India	**7.7**	5.5	38%	49%
EU Hub	**3.2**	3.4	(5)%	(6)%
Turkey	**0.9**	0.7	29%	97%
Rest of World[2]	**(3.7)**	(4.1)	8%	8%
Total Ongoing Operations	**8.1**	5.5	44%	62%
Restricted Operations	**3.8**	6.6	(42)%	(42)%
Central Functions	**(4.4)**	(6.4)	31%	31%
Segmental EBITDA	**7.5**	5.7	29%	45%
Share of loss in joint venture	**(0.3)**	(0.3)	18%	18%
Group EBITDA	**7.2**	5.4	32%	49%

1. Restated for the transfer of an Italian renewal book from Restricted Operations to the EU Hub in Ongoing Operations. See note 3 in the consolidated financial statements.
2. Rest of World comprises China, Malaysia, Mexico, UK, Blink, Bangladesh and Southeast Asia.

All percentage change figures in the segmental operating report below are stated on a constant currency basis to eliminate the effects of foreign exchange to enable better year-on-year comparison.

Ongoing Operations (92% of Group revenue)

Revenue increased by 11% to £130.1 million (2019 restated: £123.9 million) and EBITDA has increased strongly to £8.1 million (2019 restated: £5.5 million). This segment includes investments in business growth projects, the costs of which have decreased year on year to £2.8 million (2019: £3.0 million) following the decision to close Southeast Asia in the early part of the year.

The continued growth and improvement in EBITDA performance in our Ongoing Operations segment is an important part of the Group's development as we become increasingly less dependent on our naturally declining legacy business.

Our Indian business continues to drive the growth in this segment with revenue increasing by 16% to £108.4 million (2019: £99.6 million). The Indian government lockdown had a material impact on new sales activity in Q2, however the recovery was strong through the second half, with Q4 exceeding prior year sales. The recovery and growth has been fuelled by our relationship with Bajaj, particularly in sales of FoneSafe (mobile phone insurance) and LivPlus (life insurance and wellness product).

Globiva was similarly impacted by the Indian lockdown which checked the rate of growth the business was achieving. However, despite the economic backdrop Globiva has increased both revenue and EBITDA year on year. This performance included successfully winning and onboarding a number of new partners. Globiva is an integral part of the margin enhancement opportunity available to the Group coupled with growing revenue generation.

Our Turkish business performed strongly in the year, growing revenue by 9% and EBITDA by 97%. This has been achieved through expanding distribution with existing partners (including new product variants), and by establishing relationships with new partners that provides our Turkish business with a wider platform for growth. On a reported basis this performance was tempered by the Turkish lira which has devalued by 29% in the year.

Revenue in our EU Hub reduced by 16% as new revenue generation is not yet at a level to offset the reduction in the renewal books. The performance of the renewal books continues to be strong with renewal rates of 83.3% (2019: 82.9%). In Spain we have seen some new sales progress in the year, however, the financial performance of these campaigns has been disappointing. Consequently, the EU Hub profitability in the year has reduced by 6% with the cost efficiencies from previous restructuring being offset by reducing profit from the declining renewal books and cost inefficiencies in new campaigns. The high upfront costs associated with the under-performing telemarketing channel has led to a review of the operating model and in early 2021 we will refocus to alternative sales channels. This will also enable additional cost efficiencies to be generated.

Within Rest of World, the UK has made good progress in the year, successfully embedding its acquisition of B&D and commencing new deals with Gallagher and the RAC both of whom offer further opportunities in 2021. In Mexico we were disappointed to lose the Coppel campaign at the end of the year and following a review of future prospects and the ongoing funding requirement of the business it was decided to reduce new business development activities. From the beginning of 2021 Mexico will be run predominantly as a renewal book operation with a slimmed down local team managed from the corporate centre. China focused on enhancing its product suite with a new digital travel solution launched in late 2020 and digital solutions for the health sector in development. Blink's progress was heavily impacted by the effect of the pandemic on the travel sector. Bangladesh, which operates from a low cost base, launched a new mobile phone insurance product which is expected to develop in 2021.

Restricted Operations (8% of Group revenue)

Revenue decreased by 24% to £11.0 million (2019 restated: £14.5 million) reflecting the natural decline in the historic renewal books of Card Protection Plan Limited (CPPL) and Homecare Insurance Limited (HIL) along with an increase in revenue deferral following contractual changes to the UK products. EBITDA fell by 42% to £3.8 million (2019 restated: £6.6 million) which reflects the lost profit from the revenue decline together with a cost base that cannot be lowered in line with the reducing customer base as a core level of operational capability is required to service the remaining book.

Renewal rates remained strong at 81.3% (2019: 83.6%) which is key in managing the rate of decline in the book.

The focus in our Restricted Operations is to ensure that the best customer outcomes are delivered in the most cost-effective way. We continue to proactively review the make-up of our UK customer renewal book and have a programme in place to address certain customers to ensure the best outcomes are achieved for them. This programme commenced at the beginning of 2020 and is expected to continue to result in greater non-renewals in years to come which will increase the current rate of revenue decline. In addition, the decision has been taken to close the small renewal book in Malaysia during 2021 where the customer base has reduced to a level that is no longer economically viable to run.

Central Functions

Our central cost base has reduced by 31% to £4.4 million (2019: £6.4 million) as we continue to benefit from supplier contract reviews, streamlining of our UK-based IT function and cost control measures implemented.

Adjusted EBITDA

	2020 £'m	Investment in business growth projects[2] £'m	2020 adjusted EBITDA £'m	2020 adjusted margin[3] %	2019 adjusted EBITDA (Restated)[1] £'m	2019 adjusted margin (Restated)[1] %	Change	Constant currency change
Ongoing Operations	8.1	2.8	**10.9**	**8%**	8.5	7%	27%	37%
Restricted Operations	3.8	—	**3.8**	**34%**	6.6	45%	(42)%	(42)%
Central Functions	(4.4)	—	**(4.4)**	**(100)%**	(6.4)	(100)%	31%	31%
Segmental EBITDA	7.5	2.8	**10.3**	**7%**	8.7	6%	17%	26%
Share of loss in joint venture	(0.3)	0.3	**—**	**n/a**	—	n/a	n/a	n/a
Group EBITDA	7.2	3.1	**10.3**	**7%**	8.7	6%	17%	26%

1. Restated for the transfer of an Italian renewal book from Restricted Operations to the EU Hub in Ongoing Operations. See note 3 in the consolidated financial statements.
2. The business growth projects in Ongoing Operations are UK £1.1 million (2019: £1.2 million), Blink £1.3 million (2019: £1.2 million), Bangladesh £0.2 million (2019: £0.2 million) and Southeast Asia £0.2 million (2019: £0.4 million). These projects are disclosed within Rest of World.
3. Adjusted margin is defined as adjusted EBITDA divided by revenue.

Adjusted EBITDA excludes investments in business growth projects. The Group's adjusted EBITDA has increased to £10.3 million (2019: £8.7 million), reflecting the progress made in our key markets within Ongoing Operations, where adjusted EBITDA has increased to £10.9 million (2019 restated: £8.5 million).

Investments in business growth projects represent start-up businesses that the Group has funded to contribute to the future growth and sustainability of the Group. Naturally businesses progress from start-up to developing status with the expectation that the level of funding to that business reduces over time. After an initial cycle of three years it is considered appropriate to transfer the UK, Blink and Bangladesh to developing status in 2021. As a result, this year represents the final year that these businesses will be excluded from the adjusted measure.

Oliver Laird
Chief Financial Officer
23 March 2021

Managing key risks

The Group's risk management framework enables risks to be managed and reported consistently and objectively. CPP operates a 'three lines of defence' model across the Group. Each country is responsible for setting its own risk appetite and managing its risks, with oversight from Group control functions and independent review carried out by Internal Audit.

Internal control and oversight

The Board has overall responsibility for the system of internal control and for monitoring its effectiveness. During the year, assurance was gained from delegation to the Audit Committee and Risk & Compliance Committee, each overseeing the system of internal control and the risk management framework.

Key risks to the Group, together with their respective management strategies, are reported to the Board via these Committees. Subsequent to the year end, the Risk & Compliance Committee has been disbanded in favour of matters being considered directly by the Board. The Board continues to monitor and challenge the effectiveness of the risk management framework by which strategic risks to the Group are identified, evaluated and managed.

Risk library

The risk library supports the risk framework and allows risks to be categorised and reported consistently across CPP's various markets. This enables the aggregation of risks to obtain a group risk profile and exposure. The Group has five principal risks: business; reputational; conduct; operational; and financial.

Risk and control self-assessment

The country level risks are subject to review and challenge by the Group risk function on a quarterly basis, following submission of a risk and control self-assessment. We have continued to enhance and embed the risk management framework with the introduction of a more sophisticated risk assessment methodology, piloted with a number of countries which is expected to be rolled out across the Group in 2021.

Principal risks and uncertainties

Description	Mitigation	Commentary	Status
Business risk			
This risk relates to inappropriate business or strategic choices, or changes within the internal or external operating/competitive environment.	We operate a decentralised model, allowing our countries to react rapidly to internal or external factors which may affect their business or customers. The risk framework provides a mechanism for visibility and escalation at Group level. The Group continues to monitor the exposure to the COVID-19 pandemic across all its markets, using local market understanding to manage key relationships and risks.	The Group has focused on ensuring the business continues to deliver service to its customers and partners whilst focusing on the wellbeing of its colleagues during the continued disruptions and uncertainties caused by the pandemic. The Group risk function has continued to work collaboratively with all countries, ensuring that key strategic opportunities and projects are sufficiently supported from a risk and compliance perspective.	
Reputational risk			
The risk to CPP of damage arising from business partners, third parties and our provision of products and services to customers.	We have effective governance practices in place and follow the three lines of defence model. CPP recognise the importance of having sustainable and controlled growth strategies driven by products that meet the needs of our customers and business partners. We continue to monitor supplier performance whilst maintaining or developing strong and collaborative relationships.	The Group continues to engage with business partners and suppliers to ensure the smooth continuation of services.	

Increase | Stable | Improving

Description	Mitigation	Commentary	Status
Conduct risk			
There is a risk that actual or potential customer harm arises, or may arise, from the way CPP, its colleagues or third parties conduct their business, as well as the ongoing suitability of CPP products.	CPP promotes a strong compliance culture across the Group to put the interests of customers first. We value good relationships with regulators. Our compliance functions support local management in meeting existing/future regulatory obligations.	In 2020 we continued to enhance our product portfolio to respond to changing customer needs. Customer engagement initiatives have been undertaken across the Group focusing on product awareness.	Improving
Operational risk			
CPP is at risk of loss, as a result of inadequate or failed processes, people, systems or external events.	CPP aims to create an overall risk conscious organisation. Operational risks outside appetite fall under quarterly Group review and challenge with tracking of mitigating actions. Within the countries, second line risk resource provides oversight of operational risk. The Group operates within the ISO 27001 based framework and associated relevant controls as well as being PCI compliant where applicable. There is a structure in place to manage and govern outsourcing relationships from due diligence to risk-based oversight.	In 2020, work has continued to progress the IT strategy to deliver the benefits of a more flexible, cloud-driven platform solution. CPP has demonstrated its resilience during the pandemic as we continued to maintain processes and customer services whilst rapidly moving to a working from home environment across the Group. We have also taken appropriate steps to mitigate Brexit related impacts.	Stable
Financial risk			
The financial risk represents the exposure of the Group to funding and liquidity risks which could result in the inability to meet financial obligations as they fall due or to maintain an effective funding base.	The central finance team is responsible for managing cash flow and liquidity across the Group. Short and medium-term forecasts of expected cash needs across the Group are regularly reviewed and stress tested to ensure availability of liquidity, maintaining adequate reserves and banking facilities. The Group also seeks to repatriate available overseas funds to the UK to help reduce the impact of foreign exchange fluctuations. CPP has an RCF in place, which has been renewed for a further three-year term, and we periodically review our expected financial position against our banking covenants to ensure that our plans do not create a risk of breach.	The risk remains within appetite. The overall liquidity profile is actively managed, ensuring that the business plans and strategy are effective and aligned.	Stable
External environment – pandemic risk			
The COVID-19 pandemic continues to evolve and have a disruptive impact on the global economy. CPP remains cautious as to whether the Group's operational capacity and service levels could be adversely impacted as a consequence of reduced staffing levels or declining effectiveness of business partners or third party support services.	The Group continues to monitor COVID-19 across all its markets, and to proactively take steps to maintain running operations.	Colleagues' wellbeing remains our top priority and the Group have implemented a number of measures in 2020 and continue to develop and enhance the support structure. The operational teams across the Group continue to operate effectively but we remain alert to the potential for further disruption and the ongoing risk to data security which remains a priority. The potential impact of the pandemic on the performance of our suppliers and business partners continues to be closely monitored.	Increase

The Directors fully understand their responsibilities under section 172 of the Companies Act to promote the success of the Company, having regard to:

- the likely consequences of any decision in the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company in maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The Board has identified our key stakeholders which are set out below, along with details of the forms of engagement undertaken by the Board:

Our shareholders

Why they matter to us	As well as being providers of capital, our shareholders provide valuable insight into the market and the impact of our strategy, which are key to enabling us to grow and invest in the future success of the business.
Types of engagement	• AGM. • Annual Report & Accounts, half yearly trading results, notices of general meetings. • Stock exchange announcements and press releases. • Investors' section of the Group's website.
How the Board engages	• CEO and CFO meetings with major shareholders and retail investors to outline performance and future direction of the business. • CEO feedback to the Board on shareholder interactions. • Non-Independent Non-Executive Director intermediation with respective sponsoring shareholders.
How consideration for them influenced the Board's decision making	During the year a nominee director of each of the two major shareholders was appointed to the Board. The AGM remains a key means of communication with our shareholders. Although unable to hold an 'in person' AGM in 2020 due to COVID-19 restrictions, shareholders were given the opportunity to ask questions via our website in advance of the meeting and were encouraged to vote via an online portal. Among the resolutions put to the AGM was a proposal for a 1:100 consolidation of the Group's ordinary shares. The Board believed this would benefit shareholders by helping to reduce the volatility in the Company's share price and enable a more consistent valuation of the Company.

Our business partners

Why they matter to us	The long-term sustainability of our business depends on building and maintaining long lasting mutually beneficial relationships with our partners.
Types of engagement	• Commercial discussions. • Face to face meetings (where possible). • Press releases. • Communications such as Annual Report & Accounts, half yearly trading results, trading updates, RNS Reach announcements and investor fact sheets.
How the Board engages	• Although the ability to travel to the Group's territories was extremely limited in 2020, the Board retains oversight through regular communications between the executive team and in-country management and their feedback to the Board as a whole. Further details of our focus on partner needs is given on page 8.
How consideration for them influenced the Board's decision making	The Board continues to place significant emphasis on our assurance framework, which has been developed further during the year, ensuring that strong standards are applied throughout the Group, thus enabling us to give assurance of regulatory compliance and strong business processes to our business partners and ultimately, to build a strong, sustainable business for our shareholders.

Our colleagues

Why they matter to us	Our colleagues continue to be our most valuable resource, being key to the continuing success of our business.
Types of engagement	Maintaining colleague wellbeing and morale has been a major focus for the business in 2020, with all our territories impacted by the global pandemic and most colleagues working from home at some point during the year. With this in mind the following additional measures have been put in place during the year. • All colleagues across the Group invited to join weekly or fortnightly video calls with the CEO. • Group intranet expanded to include a 'Stay Well' section to help colleagues with their wellbeing. • Periodic global conversations, known as 'Real Life Connect', open to all colleagues, with a member of the senior leadership team in attendance, to exchange views on their experience of working during the pandemic and the Company's response. • Introduction of 'Home Support' which provides a network of colleagues who volunteer to provide support and encouragement to colleagues on an informal basis and entirely in confidence. Further details of how our culture has responded to the exceptional circumstances of the year is included on page 9.
How the Board engages	• Continued investment in cultural development. • The Board receives regular reports from the People & Culture Director on colleague engagement and cultural matters. • The CEO has reported to the Board throughout the year on the ongoing impact of COVID-19 from a colleague and overall business perspective.
How consideration for them influenced the Board's decision making	From the Real Life Connect sessions, it became apparent that a flexible approach to homeworking (even when return to the office is allowed) would be of benefit to colleagues and, ultimately, the productivity of the business. As well as regular reports from the executive team, the Board received a presentation on a framework of ten principles proposed for 'CPP Next Generation'. See pages 18 and 19 for more on a culture driven from the Centre.

The Strategic Report section on pages 4 to 33 of this Annual Report has been reviewed and approved by the Board of Directors on 23 March 2021.

Jason Walsh
Chief Executive Officer

Confident leadership

David Morrison
Chairman

Appointment
Appointed as Non-Independent Non-Executive Director in November 2020, and as Chairman in February 2021.

Experience
David has spent the majority of his career in private equity, starting with 3i plc, before spending 13 years with Abingworth Management, predominantly with responsibility for investment activity in the United States. In 1998 he started Prospect Investment Management, which was responsible for making and managing early-stage investments on behalf of a small group of investors. Notable holdings included PayPoint plc and Venture Production plc, both of which became FTSE 250 companies whilst Prospect's clients were shareholders.

External appointments
David remains a director of various private companies and is also a non-executive director of Strategic Equity Capital plc.

Skills brought to the Board
Strategy and investment expertise.

Jason Walsh
Chief Executive Officer

Appointment
May 2016.

Experience
Jason first joined CPP in 2002 holding a number of senior roles including UK Managing Director responsible for the Group's regulated businesses. He then spent almost two years working as a consultant with Ernst & Young within its Financial Services Advisory Practice, returning to CPP in May 2016 as Group CEO.

External appointments
None.

Skills brought to the Board
Broad knowledge of the Group and its products and the financial services sector in general.

Oliver Laird
Chief Financial Officer

Appointment
June 2017.

Experience
A Fellow of CIMA, Oliver has more than 15 years' experience in senior finance roles in regulated financial services businesses, including as CFO of First Direct Bank and Finance Director of the Co-operative Insurance Division.

External appointments
Non-Executive Trustee of the Leeds University Union.

Skills brought to the Board
Sector and financial expertise.

Justine Shaw
People & Culture Director

Appointment
July 2016.

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

External appointments
None.

Skills brought to the Board
Expertise in talent development and culture change.

Key
- A Audit Committee
- R Remuneration Committee
- Chair of Committee

A R

Mark Hamlin
Senior Independent Director

Appointment
May 2016.

Experience
A 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 was Deputy Chairman of Cable & Wireless Communications plc until the company was sold in May 2016. Born in Johannesburg, Mark is involved with a number of charities in both Africa and the UK.

External appointments
Chairman of Organisation Resource Limited and Project Forty Four Limited; Director of OR Talent Limited, OR Talent Incorporated and OR Property Limited; Non-Executive Director of Beckers Group, X44 Limited, Colart Group Holdings Limited; and Trustee of Gloucestershire Everyman Theatre Company Limited.

Skills brought to the Board
Expertise in strategy, culture and corporate change and business psychology.

A R

Tim Elliott
Independent Non-Executive Director

Appointment
September 2017.

Experience
Tim spent 30 years as an investment banker in a variety of capital markets, credit, advisory, client and management roles including as a Managing Director at JP Morgan and at Barclays Capital. After banking, Tim broadened his financial services experience, becoming a Partner of KPMG, firstly in corporate finance and then as the client lead partner responsible for the firm's worldwide relationship with a number of major UK companies. Advisory work included audit tender preparation, strategy review and transaction diligence, capital structuring and capital raising.

External appointments
Senior Adviser to Alvarez & Marsal LLP and a non-executive director of Premier Foods Plc.

Skills brought to the Board
Finance and strategy expertise.

A R

Simon Thompson
Non-Independent Non-Executive Director

Appointment
June 2020.

Experience
Simon held senior positions in investment banks before becoming Managing Director at Barclays Global Investors. He was chair of London Stock Exchange's Institutional Investor Group and the Investment Association's Dealing Committee. He was a partner of hedge fund, Millgate Capital, before moving to Legal & General Investment Management as COO.

External appointments
Simon currently holds roles as a Citizens Advice trustee, school governor and local charity chair alongside his work as a mentor and board adviser.

Skills brought to the Board
Strategy and investment expertise.

Sarah Atherton
General Counsel & Company Secretary

Appointment
January 2021.

Experience
A qualified solicitor, Sarah joined CPP's in-house legal team in 2010 from Walker Morris LLP. Initially working for the Group's UK businesses, Sarah later moved into Group legal roles, most recently taking up the role of General Counsel and Company Secretary.

External appointments
None.

Skills brought to the Board
Legal and company administration.

Chairman's introduction

On behalf of the Board I am pleased to present our Corporate Governance Report for the year ended 31 December 2020.

As your Chairman, I am responsible for ensuring that the Board operates within a sound governance framework that underpins the Group's ability to achieve its strategic goals.

The Board has adopted and complies with the Quoted Companies Alliance Corporate Governance Code (the QCA Code) which remains well suited to the Group, at its current stage of development.

The ten principles of the QCA Code are addressed below with an outline of how the Group complies with each principle, and any departures from the Code.

David Morrison
Chairman

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

A full description of our strategy and business model are given on pages 8 to 11. Key challenges to their execution are detailed under 'Risk management and principal risks' beginning on page 30.

Principle 2: Seek to understand and meet shareholder needs and expectations

The Board is committed to maintaining good relationships with shareholders. 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.

The Annual General Meeting (AGM) provides the Board with an opportunity to meet and communicate directly with private investors.

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for longer-term success

Our business model seeks to add value to the wider community, with particular reference to:

- our business partners;
- our shareholders;
- our customers; and
- our colleagues.

Details of how we seek to create value for each of these stakeholders are given in the business model on pages 10 and 11.

An outline of how the Directors have discharged their duties in accordance with section 172(1) of the Companies Act 2006 can be found on pages 32 and 33.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

Until March 2021 the Company had a dedicated Risk & Compliance Committee responsible for identifying and overseeing key risks and the resources available to manage them. With effect from March 2021, matters previously considered by the Risk & Compliance Committee are dealt with directly by the Board.

The Group's risk framework enables risks to be identified, measured, managed, monitored and reported consistently and objectively. A full description of the Group's risk management framework and principal risks is given on pages 30 and 31.

Principle 5: Maintain the Board as a well-functioning, balanced team led by the Chair

The Board believes that the balance between Non-Executive Directors and Executive Directors reflects the changing needs of the business and allows the Board to exercise objectivity of decision making and proper control of the Group's business. Within that the Board maintains a balance of independent and non-independent Non-Executive Directors.

On joining the Board, Non-Executive Directors receive a formal appointment letter, which identifies the estimated time commitment expected of them. The average anticipated time commitment is two days per month, although the nature of the role makes it impossible to be specific. Directors understand that they may be required to devote additional time in respect of preparation time and ad hoc matters that may arise from time to time. A potential Director candidate is required to disclose all significant outside commitments prior to appointment and any future external appointments must be approved in advance by the Chairman.

The number of meetings attended by each Director during 2020 is given on page 39.

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board considers itself diverse in terms of the background, experience and personal qualities each individual member brings to the Board, and recognises the benefits that greater diversity at the most senior levels of the Group may bring.

Details of the experience and skills of each of the Directors are given on pages 34 and 35.

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 and regulatory, corporate governance and financial reporting developments.

All Directors have access to the advice and services of the Company Secretary and the Board also obtains advice from professional advisers as and when required.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

In 2018, the Board undertook an externally facilitated questionnaire based Board evaluation, conducted by BP&E Global, following which certain changes were implemented. Given the stability of the Board and the relatively small number of recommendations arising from that review, the Board has not carried out a further formal effectiveness review since. It is the Board's intention to undertake one in 2021.

Principle 8: Promote a corporate culture that is based on ethical values and behaviours

Our business distributes products through long-term partnership arrangements. Quality of approach and a high level of integrity are essential for sustainable success and, having made good progress in fundamentally changing the organisation, we recognise the need to ensure we have the right people in the right place and in the right roles.

Having an Executive Director specifically responsible for people and culture enables the Board to monitor and promote a healthy corporate culture.

The Board continues to invest in a dedicated programme to address, formulate and implement an open, honest and authentic culture that extends consistently throughout the Group. Further information may be found on page 18.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision making by the Board

Papers for Board and Committee meetings are circulated in advance of meetings, including to any Director who is unable to attend. 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.

Details of our governance framework are given on page 38.

It should be noted that in a departure from the QCA Code, with effect from 16 March 2021, membership of the Remuneration Committee includes a non-independent Non-Executive Director, in addition to a Senior Independent Director and an independent Non-Executive Director. Given the relatively small size of the Board, the Directors consider this necessary and that the structure is appropriate given the balance between independent and non-independent members of the Committee.

Principle 10: Communicate how the Company is governed and is performing by maintaining dialogue with shareholders and other relevant stakeholders

The Company maintains a corporate website (https://international.cppgroup.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 yearly reports, trading statements and all regulatory announcements relating to the Group.

As soon as practicable after the conclusion of any general meeting, the voting results are released through a regulatory information service (RIS) with a copy of the announcement posted on the Company's website at https://international.cppgroup.com/investors/stock-info/

All historical Annual Reports, Company circulars and notices of general meetings are available on the Company's website at https://international.cppgroup.com/investors/shareholder-info/

Our governance framework

Our Board

As at the date of this report the Board comprises seven Directors – the Chairman (Non-Independent), three Executive Directors, one Senior Independent Director, one Independent Non-Executive Director and one Non-Independent Non-Executive Director.

See **pages 34 and 35**

Membership at 31 December 2020
Membership at 31 December 2020 – As at 31 December 2020, the Board comprised nine Directors – the Chairman, three Executive Directors, three Independent Non-Executive Directors and two Non-Independent Non-Executive Directors. Sir Richard Lapthorne, former Chairman, resigned with effect from 31 January 2021 and has been replaced by David Morrison, an existing Non-Independent Non-Executive Director. Nick Cooper, former Independent Non-Executive Director, resigned with effect from 28 February 2021. Mark Hamlin was appointed Senior Independent Director on 17 March 2021.

Meetings held in 2020
Seven

Key matters reserved for the Board
- responsibility for the overall leadership of the Group and setting the Group's values and standards;
- 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 annual financial budget;
- approval of the dividend policy; and
- material capital investments.

The full schedule of matters reserved to the Board is available on the Company's website, https://international.cppgroup.com

Audit Committee

Key objectives
To assist the Board in discharging its duties and responsibilities for financial reporting and internal financial control.

Membership at 31 December 2020
- Tim Elliott (Chairman)
- Sir Richard Lapthorne
- Mark Hamlin
- Nick Cooper
- Simon Thompson
- David Morrison

Meetings held in 2020
Five

Read about our Audit Committee on **pages 40 and 41**

Risk & Compliance Committee
(disbanded from March 2021)

Key objectives
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.

Membership at 31 December 2020
- Nick Cooper (Chairman)
- Sir Richard Lapthorne
- Mark Hamlin
- Tim Elliott
- Simon Thompson
- David Morrison

Meetings held in 2020
Four

Read about our Risk & Compliance Committee on **page 39**

Remuneration Committee

Key objectives
Recommend to the Board the remuneration of the Chairman, Executive Directors, Company Secretary and senior management.

Membership at 31 December 2020
- Mark Hamlin (Chairman)
- Sir Richard Lapthorne
- Nick Cooper
- Tim Elliott

Meetings held in 2020
Three

Read about our Remuneration Committee on **pages 42 to 44**

Directors' attendance at Board and Committee meetings in 2020

	Board	Audit Committee	Risk & Compliance Committee	Remuneration Committee	Attendance
David Morrison	●	●	●	—	100%
Jason Walsh	●●●●●●●	—	—	—	100%
Oliver Laird	●●●●●●●	—	—	—	100%
Justine Shaw	●●●●●●●	—	—	—	100%
Mark Hamlin	●●●●●●●	●●●●●	●●●●	●●●	100%
Tim Elliott	●●●●●●●	●●●●●	●●●●	●●●	100%
Simon Thompson	●●●	●●●	●●●	—	100%
Sir Richard Lapthorne	●●●●●●●	●●●●●	●●●●	●●●	100%
Nick Cooper	●●●●●●	●●●●	●●●	●●●	84%

Nick Cooper was unable to attend the July Board and Committee meetings due to conflicting commitments with a new executive appointment.

Roles and responsibilities

Chairman

The Chairman, David Morrison, is responsible for the leadership of the Board and setting its agenda, ensuring that the Board as a whole plays a full and constructive part in the determination and development of the Group's strategy and overall commercial objectives.

Chief Executive Officer

The Chief Executive Officer, Jason Walsh, oversees the management of the business and, supported by his executive team, is responsible for the day-to-day running of the business. He is accountable to the Board for the Group's operational and financial performance.

Board Committees

The Audit Committee and the Remuneration Committee are standing Committees of 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 Company's website at https://international.cppgroup.com. Terms of reference are reviewed annually by the relevant Committee and approved by the Board.

There was also a Risk & Compliance Committee until March 2021 when this was disbanded in favour of such matters being considered by the Board.

The Company Secretary acts as secretary to all Board Committees; Committees also have access to independent expert advice, if required.

Internal control and compliance

The Audit Committee and the Risk & Compliance Committee have received 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, 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 30 and 31.

Conflicts of interest

The Company Secretary keeps a record of any actual or potential conflict of interest declared by the Directors. 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.

Report of the Risk & Compliance Committee

Key responsibilities

The Committee's key responsibilities were defined in the Committee terms of reference and included:

- 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 & Compliance; and
- keep under review the adequacy and effectiveness of the Group's governance functions and the timeliness and effectiveness of management actions.

Membership and meetings

Only Committee members were entitled to attend meetings. Other individuals such as the Executive Directors, the Group Legal Counsel, the Head of Internal Audit and the Head of Risk & Compliance may have been invited to attend all or part of any meeting as appropriate.

Main activities of the Committee during the year

Specific matters dealt with during the year include:

- assurance framework;
- product governance;
- information security; and
- data management and data protection.

In March 2021 the Committee was disbanded with matters previously put to the Committee now being considered by the Board.

On behalf of the Audit Committee I am pleased to present the Audit Committee Report for the year ended 31 December 2020.

The Audit Committee Report sets out details of the Audit Committee including its composition and responsibilities and seeks to provide an insight into the work undertaken by the Committee during the year.

Tim Elliott
Chairman of the Audit Committee

Other members

Mark Hamlin

Simon Thompson

Meetings and membership

Only Committee members are entitled to attend meetings. Others attend by invitation of the Committee Chairman. During the year the external Auditor, the Executive Directors, the Global Accounting Director and the Head of Internal Audit attended meetings to report to the Committee and provide clarification and explanations where appropriate.

Each member is considered to possess up-to-date and appropriate financial or accounting experience and the Board is satisfied that the Committee, as a whole, has sufficient experience and competence relevant to the Group's business.

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 performance of the external and internal audit. The main activities of the Committee during the year were:

Key accounting items

The Committee has received management papers providing regular updates on the development of the Group's key accounting approaches during the year including revenue recognition, the response to COVID-19, impairment of non-current assets, foreign exchange and capital maintenance.

Financial statements

The Committee reviewed and discussed financial disclosures made in the annual results announcement, the Annual Report & Accounts and the Half Year Report, together with any related management letters, letters of representation and reports from the External Auditor.

Key financial reporting and accounting issues

The primary area of judgement considered by the Committee in relation to the 2020 financial statements and how it was addressed by management is shown below:

Area of judgement	Management action
Revenue recognition	The Committee has received detailed updates from senior management in relation to the revenue recognition approach across the Group during the year. Revenue recognition matters considered included the impact of changes in benefit features to the Card Protection product in India and a change in contractual structure to the Card Protection product in the UK. The Committee has concluded that revenue recognition continues to be dealt with appropriately.

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 on a regular basis.

The Committee receives regular detailed reports from the External Auditor, including a formal written report dealing with the audit objectives, the Auditor's qualifications, expertise and resource, the effectiveness of the audit process, the procedures and policies for maintaining independence and compliance with the ethical standards issued by the Financial Reporting Council. 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 and 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 appropriate.

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;
- the Committee receives and reviews each year an analysis of any 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.

Internal audit

The Committee approves the annual internal audit plan, monitors progress against this plan and receives reports after each audit performed. Progress against actions identified in these reports is monitored by the Committee. In addition, the Committee receives and reviews all instances of whistleblowing in the business.

The Committee has assessed the resources available to the Internal Audit department to complete its remit and has approved the use of additional co-sourced resource within the India business for 2021; this resource will support with both large-scale operational audits in India as well as providing increased technical input into the oversight of the development of India's new IT platform. In light of the ongoing COVID-19 pandemic the Committee has also agreed a contingency budget to ensure continued coverage of all areas of the Group and completion of the 2021 audit plan in the event that the audit team face continued travel restrictions.

The Internal Audit function uses a risk-based approach to provide assurance across all Group companies and functional areas. The internal audit plan is regularly reviewed to ensure that it reflects change and business development across the Group. The 2020 internal audit plan was affected by COVID-19, both in terms of execution of audits, which were predominantly completed remotely, and in relation to the risk areas covered. Adjustments to the audit plan were agreed by the Committee to ensure the most appropriate Group risks were considered, including focused work on the impact of COVID-19 within the Group's operational control environment. Appropriate focus on the ongoing impact of the COVID-19 will continue in 2021.

As a reflection of the continued growth in our businesses in Asia our coverage of that region represents greater than half of the Group audit plan for 2021. The internal audit plan also includes significant coverage of change, including focus on the development of a new IT platform for India, consideration of the impact of the restructure on the control environment in the Mexican business, and post implementation reviews for change programmes and product launches within the UK.

The appointment and removal of the Head of Internal Audit is the responsibility of the Committee. 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 Audit Committee and is jointly accountable to the Audit Committee Chairman and Group CFO.

Committee effectiveness

During the year, the Committee carried out an effectiveness review based around the completion of a gap analysis against best practice. The main actions identified were:

- the formal diarising of the regular meetings which are held without Executive Management present; and
- consideration of the need to increase discussion around FRC Hot Topics.

Tim Elliott
Chairman of the Audit Committee
23 March 2021

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report (the Remuneration Report) for the year ended 31 December 2020.

Mark Hamlin
Chairman of the Remuneration Committee

Other members

Tim Elliott

Simon Thompson

The Remuneration report sets out details of the Remuneration Committee, including its composition and responsibilities, the Group's executive remuneration policy and details of Directors' remuneration for the year under review.

As an AIM-listed company, CPP is not required to prepare the Remuneration Report in accordance with the Directors' Remuneration Report Regulations 2002 or the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (together, the Regulations). We do, however, support the principles of the Regulations and seek to follow them to the extent that they are relevant to CPP as an AIM-listed company.

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:

- reviewing existing and consideration of future long-term incentive plans including the implementation of the Realisation Proceeds Plan (RPP) and Dividend Matching Plan (DMP);
- reviewing short-term incentive plans;
- strategy for year-end salary reviews;
- agreeing terms for senior appointments and exits; and
- review of Group Remuneration Policy.

Advisers to the Remuneration Committee

The Committee received advice over the year from independent remuneration consultants OIS Consulting Limited (OIS), which provided no other services to the Company. Fees paid to OIS during the year totalled £95,000 (2019: £115,000).

During the year, Eversheds LLP, have provided advice to the Committee in connection with the implementation of the RPP and DMP.

The Committee also receives advice and support from the People & Culture Director, the Group CEO, the Group CFO 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 business. The Committee reviews the remuneration policy from time to time, taking whatever action it considers necessary to ensure that remuneration is aligned with the overall strategic objectives of the Group.

In accordance with its terms of reference, in considering executive pay, the Committee has regard to levels of remuneration and terms and conditions across the Company, especially when determining annual salary increases. The Committee receives information about pay and conditions across the Group and, except in exceptional circumstances, executives receive the same percentage increase as other employees in the country in which they operate.

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 long-term incentive plans.

Service contracts and letters of appointment

The Executive Directors have service contracts that are subject to six months' notice by either party.

Non-Executive Directors receive written letters of appointment and their 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 Group's registered office.

Directors' remuneration (audited information)

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

	Base salary/ fees £'000 2020	Taxable benefits £'000 2020	Bonus £'000 2020	Pension £'000 2020	Total £'000 2020	Total £'000 2019
Executive Directors						
Jason Walsh	**277**	**54**	**201**	**41**	**573**	656
Oliver Laird	**204**	**43**	**124**	**20**	**391**	441
Justine Shaw	**194**	**41**	**117**	**19**	**371**	419
Non-Executive Directors						
David Morrison[1]	**8**	—	—	—	**8**	—
Mark Hamlin[2]	**90**	—	—	—	**90**	90
Tim Elliott	**90**	—	—	—	**90**	90
Simon Thompson[3]	**34**	—	—	—	**34**	—
Sir Richard Lapthorne	**160**	—	—	—	**160**	160
Nick Cooper	**90**	—	—	—	**90**	90

1. David Morrison was appointed to the Board on 13 November 2020.
2. The Company made a contribution of £73,000 (2019: £75,000) towards Mark Hamlin's fees for the position of Chairman of the Globiva Board. See note 37 on page 92.
3. Simon Thompson was appointed to the Board on 9 June 2020.

Bonuses

Executive Director and senior management bonus awards are linked to both Group financial performance and the achievement of pre-agreed events, thus ensuring that Directors' pay is aligned to the Group's strategic priorities.

Share incentives

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 2020*	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 2020
Jason Walsh	215,012	—	55,416	7,991	**151,605**
Oliver Laird	68,658	—	11,122	1,605	**55,931**
Justine Shaw	82,618	—	11,083	1,598	**69,937**

* Recalculated to take account of the 1:100 share consolidation in May 2020.

Current share plans

2016 Long Term Incentive Plan (2016 LTIP)

This plan was introduced in January 2016, when options were awarded to Executive Directors and certain members of the senior management team. Further awards have been made in 2017, 2018 and 2019. Options will vest, subject to the achievement of specified performance conditions, on the third anniversary of the date of grant, and will expire on the tenth anniversary of grant. The three-year vesting period for the 2017 awards completed in the year and following an assessment of the performance conditions the awards vested at a level of 87.4%.

Clawback and malus provisions apply to awards made under this plan.

Long Term Incentive Plans

Following a detailed review of our long term incentive plans, the Committee decided to make no further awards from 2020 under the 2016 LTIP. In its place we have adopted cash-based incentive plans which are designed to reward executives only if and when shareholders receive payments (in the form of ordinary or special dividends). The principle underlying these plans is that shareholders should receive at least 90% of any value distributed.

The Committee considered that the share price has not reflected the true value of CPP and that further awards under the 2016 LTIP would cause unnecessary dilution of shareholders' interests. Two cash-based plans have been created to better align management rewards with how the Board believes that value will be delivered over the medium to long term. Specifically:

- The Realisation Proceeds Plan (RPP) covers any events over the next ten years which result in special dividend payments to shareholders (for example, following the partial or full sale of a business unit). If the event produces a gain for CPP (compared to a baseline value established at the end of 2019) and some or all of the proceeds are distributed then 10% of the distributed gain will be paid to participants. Individuals were granted awards of units in the RPP equivalent to 80% of the maximum available, leaving flexibility for the Committee to award the remaining 20% of the units in future.
- The Dividend Matching Plan (DMP) is an annual plan which provides for a bonus pool equivalent to 10% of any ordinary dividends declared within that year. Individuals are awarded a share of the potential pool at the beginning of the year and any payments will be made at the same time as dividends are paid to shareholders.

Legacy share plans

Matching Share Plan (MSP)

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. The options have an exercise price of £1 following the share consolidation in May 2020. No performance conditions were attached to these options which have now vested in full. No further awards will be made under the MSP.

Clawback and malus provisions apply to awards made under the MSP.

2010 Restricted Stock Plan (RSP)

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

Shareholder dilution

In line with the ABI guidelines, the rules of the current 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 are currently used to satisfy the exercise of all employee and executive equity-settled options.

Directors' shareholdings

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 2020*	Ordinary shares held at 31 December 2019*	Interests in unexercised shares under incentive plans*
Sir Richard Lapthorne	**67,000**	47,000	—
Jason Walsh	**69,745**	9,328	151,605
Oliver Laird	**43,554**	4,256	55,931
Justine Shaw	**21,076**	9,993	69,937
Mark Hamlin	**14,365**	14,365	—
Nick Cooper	**1,450**	1,450	—
Tim Elliott	**3,250**	3,250	—

* Recalculated to take account of the 1:100 share consolidation in May 2020.

Mark Hamlin
Chairman of the Remuneration Committee
23 March 2021

Directors' Report

The Directors present their Annual Report and audited financial statements of the Group for the year ended 31 December 2020.

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 4 to 33;
- the Corporate Governance Report on pages 36 to 39;
- the Report of the Audit Committee on pages 40 and 41; and
- the Directors' Remuneration Report on pages 42 to 44.

Directors

The Directors who served throughout the year and to the date of this report are shown in the table below.

David Morrison	Chairman	(appointed 13 November 2020)
Jason Walsh	Chief Executive Officer	
Oliver Laird	Chief Financial Officer	
Justine Shaw	People & Culture Director	
Mark Hamlin	Senior Independent Director	
Tim Elliott	Non-Executive Director	
Simon Thompson	Non-Independent Non-Executive Director	(appointed 9 June 2020)
Sir Richard Lapthorne	Chairman	(resigned 31 January 2021)
Nick Cooper	Non-Executive Director	(resigned 28 February 2021)

Under the Company's Articles of Association any Director who has been a Director at each of the preceding two AGMs and who was not appointed or reappointed by the Company in general meeting at, or since, either such meeting shall retire by rotation. Accordingly, Mark Hamlin, Tim Elliott, Oliver Laird, David Morrison and Simon Thompson will seek re-election at the forthcoming AGM.

Brief biographical details for each Director are set out on pages 34 and 35. Details of Committee memberships are set out in the Corporate Governance Report on page 38.

Details of Directors' beneficial interests in and options over the Company's shares are set out in the Directors' Remuneration Report on pages 42 to 44.

Dividends

The Directors recommend a final dividend of 25 pence per ordinary share to be paid on 12 May 2021 to ordinary shareholders on the register on 9 April 2021. No dividends were paid by the Group in the prior year.

Insurance

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

Events after the balance sheet date

The Group has undertaken a review of the operational effectiveness of its business units and restructuring activities initiated where it is considered large-scale operational efficiencies are available or there is not a clear pathway to profitable performance in the medium to long-term. As a result, the Group has restructured its Blink, Spain, Mexico and Malaysia operations. Refer to note 38 on page 92 for further detail.

Annual General Meeting

The AGM of the Company is to be held on 28 April 2021. As at the date of this report, the UK Government has put in place a national lockdown with 'stay at home' measures. In light of this, the AGM will be held as a 'closed' meeting and shareholders will not be able to attend in person. If the Board needs to make changes to the AGM arrangements (including where and how the AGM is conducted), such changes will be notified in advance through the Company's website and, where appropriate, by RIS announcement. The notice of the AGM and an explanation of any non-routine business are set out in the circular accompanying this Annual Report or on the Company's website at https://international.cppgroup.com

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.

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 33 on page 88.

The Company's capital comprises ordinary shares of £1 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.

Details of the Group's employee share schemes are set out in note 34 on pages 88 to 90.

Business relationships

The Board is fully aware that the long-term sustainability of our business depends on building and maintaining long lasting mutually beneficial relationships with our partners. With a B2B2C operating model, insights and requests from business partners in terms of product and marketing strategies are key to the Board's focus and development in these areas. The Group CEO and Executive Directors often meet with prospective and existing business partners, reporting back to the Board on the results of those meetings.

Substantial shareholdings

On 31 December 2020, 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 2020 no person had a beneficial interest in 3% or more of the voting share capital except for the following:

Name	Ordinary shares	%
Funds managed by Phoenix Asset Management Partners Limited	3,172,366	36.28%
Milton Magna Limited (a company controlled by Mr Hamish Ogston)	2,641,443	30.21%
Mr Hamish Ogston	963,317	11.02%
Schroders plc	876,853	10.03%

Mr Hamish Ogston holds a beneficial interest in 41.23% 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.

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 a period of at least 12 months from the date of this report.

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 are subject to robust downside stress testing which involves modelling the impact of a combination of plausible adverse scenarios focused on crystallisation of the Group's key operational risks. The assessment considers the Group's modelling of the risks associated with COVID-19. This is done to identify risks to liquidity and covenant compliance and enable management to formulate appropriate and timely mitigation strategies.

Taking the analysis into consideration, the Directors are satisfied that the Group has the necessary resources to continue in operational existence for a period of at least 12 months from the date of this report. 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, fortnightly CEO calls and weekly CEO blogs on the intranet.

Further information on our culture and employee engagement can be found on page 18.

Anti-bribery and corruption

The Group is committed to ensuring that it has effective processes and procedures in place to counter the risk of bribery and corruption. A formal anti-bribery policy is in place and appropriate training is provided according to the level of risk attached to a role.

Modern Slavery Act

The Group has a zero-tolerance approach to modern slavery and will not knowingly support or deal with any business involved in slavery and/or human trafficking. Our Modern Slavery Policy reflects our commitment to maintaining ethical practices in all of our supply chains and across our business. The steps taken to help manage the risks outlined by the legislation are detailed in our modern slavery statement published annually on our website https://international.cppgroup.com/modern-slavery-statement

Streamlined Energy and Carbon Reporting (SECR)

None of the Group's UK-based entities individually or collectively meet the mandatory requirements of the new SECR regulations in the UK. The Group actively considers how it can best minimise the environmental footprint its global operations create, however, it has opted to not voluntarily apply the SECR reporting guidance in the current year.

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

Sarah Atherton
General Counsel & Company Secretary
23 March 2021

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 accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS) 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 is 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; and
- 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.

By order of the Board

Jason Walsh
Chief Executive Officer
23 March 2021

Oliver Laird
Chief Financial Officer
23 March 2021

Independent Auditor's Report
To the members of CPPGroup Plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- **the financial statements of CPPGroup Plc (the Company) and its subsidiaries (together the Group) give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;**
- **the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs);**
- **the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and**
- **the Group and Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which 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 38.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the FRC's) Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was revenue recognition. Within this report, key audit matters are identified as follows: ! Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £1.4 million which was determined on the basis of 1.0% of revenue.
Scoping	The Group audit scope involved performing full scope audits on its significant components in the UK, Spain and India, with specified audit procedures for Turkey and analytical procedures being performed for the rest of the Group at a Group level. In aggregate, our testing covered 91% of the Group's revenue, 85% of the Group's profit before tax and 96% of the Group's net assets.
Significant changes in our approach	In the prior year audit, we identified a key audit matter in relation to the cessation of commission payments to certain business partners in the UK. This was not identified as a key audit matter for the 2020 audit as there had been no change in the circumstances and accounting position taken by the Group in the year. Disclosure in relation to this matter is included in note 30. We also evaluated the impact that the COVID-19 pandemic had on the Group's operations and performance as part of our audit risk assessment, and in our challenge of accounting judgements, estimates and going concern. We concluded that whilst there has been immaterial impairments to goodwill relating to a part of the business that has been adversely affected by the COVID-19 pandemic, there are no new key audit matters or material accounting changes in relation to the COVID-19 pandemic.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and Company's ability to continue to adopt the going concern basis of accounting included:

- enquiring of senior management in relation to their going concern assessment, including the impacts of the COVID-19 pandemic across the Group's international operations and the steps that the Group could take in the event that economic and other factors deteriorate that could lead to further government or regulatory action, restrictions or lockdowns;
- evaluating management's assessment of the risks facing the Group and the Company including:
  - liquidity risk;
  - capital risk (including minimum and/or solvency capital requirements);
  - funding risk (including the availability of the Group's sources of funding through its undrawn Revolving Credit Facility and compliance with its related covenant); and
  - operational resilience, business continuity plans, monitoring of outsourced operations, ability to continue to serve customers, comply with regulations and maintain appropriate internal controls across its significant international components;
- challenging management's key assumptions underpinning the going concern basis of accounting, by:
  - assessing the reasonableness of significant movements in forecast cash flows and considering its consistency with other available information and our understanding of the Group's businesses;
  - inspecting and evaluating the mathematical accuracy of current forecasts and comparing these to actual post year end performance;
  - assessing the Group's ability to accurately forecast its future cash flows by assessing how historical performance of the Group compares against previous forecasts, including key performance indicators;
  - assessing the consistency of forecasts used in preparation of the financial statements with those used to evaluate the recoverability of the intercompany debtors for the Company; and
  - assessing management's stress and scenario testing and performing reverse stress testing;
- inspecting correspondence between the Group and its regulators up to the date of signing our audit report; and
- evaluating the appropriateness of disclosures in the 2020 financial statements relating to going concern and the principal risks and uncertainties that the Group faces, particularly in the context of the COVID-19 pandemic.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

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.

Report on the audit of the financial statements continued

5. Key audit matters continued

Revenue recognition	
Key audit matter description	The recognition of revenue under IFRS 15 *Revenue from Contracts with Customers* for the Group's products, totalling £141 million (2019: £138 million), requires significant judgement in: • identifying separate performance obligations that are either completed at the inception of a customer's policy or relate to servicing obligations that are performed over the term of a policy; and • determining and implementing the appropriate basis on which to allocate revenue between these separate performance obligations, particularly for new and material amendments to existing products. Due to the significance of the judgements involved in determining and implementing appropriate revenue recognition policies under IFRS 15 for products that include different customer benefits that are bundled together, we identified a specific risk of fraud due to possible manipulation of this balance. The Group uses a cost plus margin method to allocate revenue between performance obligations. Changes in customer usage of the different benefits in the bundled products can fluctuate over time, which could change the revenue recognition calculations. This makes the accuracy and completeness of the data used for the calculations an area of focus for our audit procedures. This is particularly relevant to India where changes in customer usage may be most prevalent due to new business growth which would have the largest impact on revenue due to the size of the customer book. The Group's accounting policies regarding revenue recognition are detailed in note 3 'significant accounting policies' on pages 62 and 63, and discussed further in note 4 'critical accounting judgements and key sources of estimation uncertainty' on page 66, note 5 'segmental analysis' on page 69 and the Report of the Audit Committee on page 41.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the Group's processes and relevant controls identified in relation to revenue recognition. We tested the relevant manual controls used to reconcile the general ledger with underlying customer databases and cash received from customers. In addition, we used IT specialists to test the relevant IT and automated controls in place over the core administration systems used to generate journal entries that are posted to the general ledger. We evaluated the Group's revenue recognition in relation to new products for compliance with IFRS 15 – Contracts with customers against underlying contract information. Where material products were amended in the year, we assessed if changes to the Group's performance obligations had been identified and appropriately updated for within the Group's revenue recognition calculations. We tested the source data used within the revenue allocation calculations performed in India in order to assess its accuracy and completeness. We considered the fluctuations of customer usage of benefits in the bundled products during the year, and whether this may have been affected by government restrictions in response to the COVID-19 pandemic and whether this could have a material impact on the revenue balance. In addition, we independently re-calculated the Group's material revenue streams from source policyholder data in order to evaluate the implementation of the Group's revenue allocation methods and performed data analytics to identify if there were individual policies holding characteristics of audit interest to focus our testing. We selected a sample of transactions and agreed these to supporting evidence to assess the accuracy of revenue recorded in the general ledger.
Key observations	As a result of our testing, we considered that the revenue recognition policies applied were consistent with IFRS 15, and that the revenue allocation calculations performed were appropriate.

6. Our application of materiality

6.1. 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 financial statements	Company financial statements
Materiality	£1.4 million (2019: £1.4 million).	£0.7 million (2019: £0.7 million).
Basis for determining materiality	1.0% of the revenue balance (2019: 1.0%).	Company materiality equates to 1% of net assets (2019: 1% of net assets). Materiality has been capped at 50% (2019: 50%) of Group materiality to ensure appropriate coverage in the scope of our audit procedures when aggregated to a Group level.
Rationale for the benchmark applied	We used revenue to determine the Group materiality because it is a primary metric used by management to measure the performance of new sales and the sustainability of renewal portfolios across the Group.	We used net assets to determine the Company materiality due to it being the key benchmark for a parent holding company.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Company financial statements
Performance materiality	70% (2019: 70%) of Group materiality.	70% (2019: 70%) of Company materiality.
Basis and rationale for determining performance materiality	We determined performance materiality with reference to factors such as: • our understanding of the Group, its complexity and purpose; • the quality of its control environment (including the impact of COVID-19 and the Group's transition to remote working arrangements); and • the low level of uncorrected misstatements in previous audits.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £70,000 (2019: £70,000), 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.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

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 that existed at the Group level.

Based on that assessment, we focused our Group audit scope primarily on the work in four significant components located in India, the United Kingdom, Spain and Turkey. Three of these were subject to a full scope audit (2020 and 2019: India, United Kingdom and Spain) whilst we performed specified audit procedures on specified account balances in Turkey (2019: Turkey) where the extent of testing performed was based on our assessment of the material risks that existed at the Group level. For the Group's remaining components, we performed substantive analytical procedures at a Group level to understand movements in key financial statement line items from the prior year, and performed additional, follow-up audit procedures where unusual and/or unexpected trends were identified.

The scope of our audit was consistent with the prior year.

Overall, these significant components represent the principal business units of the Group, and account for 91% (2019: 92%) of the Group's revenue, 85% (2019: 92%) of the Group's profit before tax and 96% (2019: 95%) of the Group's net assets.

Report on the audit of the financial statements continued

7. An overview of the scope of our audit continued

7.2. Working with other auditors

At the planning stage of our audit, for all significant components, we issued instructions, conducted briefing calls with the component audit partners and engagement teams, and reviewed their risk assessments in order to assess the scope of substantive testing needed at a Group level. As part of this process, we communicated the levels of materiality applicable to each individual component, which were lower than Group materiality and ranged from £0.2 million to £0.9 million (2019: £0.1 million to £1.1 million).

In response to the COVID-19 pandemic, which limited our ability to make component visits in person (2019: we visited India in person), more frequent calls were held between the Group and component teams and remote access to relevant documents was provided. Given the pandemic, all of the 2020 audit was performed in a remote working environment. Throughout this time, we increased the frequency of interactions with management.

We maintained regular communication with our component audit teams throughout the audit and discussed any matters of significance to the Group audit as they arose. We discussed the conclusions of their work via conference calls with the component and Group audit partners, and local and Group management teams, and reviewed the audit work performed as well as the conclusions and findings communicated to us.

At the Group level, we also tested the consolidation process and carried out analytical procedures to support our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full scope audit or an audit of specified account balances.

8. Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's Report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax and IT, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: revenue recognition. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Companies Act 2006 and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty imposed by the local regulators in countries where the Group has significant operations.

11.2. Audit response to risks identified

As a result of performing the above, we identified revenue recognition as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, the FCA and the PRA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions 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 Group and the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

13. Matters on which we are required to report by exception

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

We have nothing to report in respect of these matters.

13.2. 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 in respect of this matter.

14. Use of our report

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.

David Heaton (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Manchester, United Kingdom
23 March 2021

Consolidated income statement
For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Revenue	5	**141,144**	138,362
Cost of sales		**(104,190)**	(97,874)
Gross profit		**36,954**	40,488
Administrative expenses		**(33,381)**	(38,541)
Share of loss in joint venture	20	**(264)**	(320)
Operating profit		**3,309**	1,627
Analysed as:			
EBITDA	5	**7,160**	5,442
Depreciation and amortisation	7	**(3,495)**	(3,305)
Exceptional items	6	**(356)**	(510)
Investment revenues	10	**412**	508
Finance costs	11	**(415)**	(1,003)
Other gains and losses	6	**(1,294)**	—
Profit before taxation		**2,012**	1,132
Taxation	12	**(3,609)**	(2,076)
Loss for the year	7	**(1,597)**	(944)
Attributable to:			
Equity holders of the Company		**(1,680)**	(1,009)
Non-controlling interests		**83**	65
		(1,597)	(944)

		Pence	Restated* Pence
Loss per share			
Basic and diluted	14	**(19.28)**	(11.69)

* Restated for the share consolidation. See note 3 for further detail.

Consolidated statement of comprehensive income
For the year ended 31 December 2020

	2020 £'000	2019 £'000
Loss for the year	**(1,597)**	(944)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(809)**	(219)
Exchange differences reclassified on disposal of foreign operations	**1,294**	—
Other comprehensive income/(expense) for the year net of taxation	**485**	(219)
Total comprehensive expense for the year	**(1,112)**	(1,163)
Attributable to:		
Equity holders of the Company	**(1,145)**	(1,188)
Non-controlling interests	**33**	25
	(1,112)	(1,163)

Balance sheets
As at 31 December 2020

		Consolidated		Company	
	Note	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Non-current assets					
Goodwill	15	**612**	1,492	**—**	—
Other intangible assets	16	**3,741**	3,533	**—**	—
Property, plant and equipment	17	**1,670**	2,362	**—**	—
Right-of-use assets	18	**6,097**	6,496	**—**	—
Investments	19	**—**	—	**15,545**	15,597
Investment in joint venture	20	**450**	714	**—**	—
Deferred tax asset	31	**858**	1,152	**48**	141
Net investment lease assets	28	**—**	16	**—**	—
Contract assets	23	**426**	709	**—**	—
		13,854	16,474	**15,593**	15,738
Current assets					
Insurance assets	21	**46**	42	**—**	—
Inventories	22	**145**	87	**—**	—
Net investment lease assets	28	**—**	140	**—**	—
Contract assets	23	**4,853**	6,108	**—**	—
Trade and other receivables	24	**16,379**	17,778	**79,314**	77,831
Cash and cash equivalents	25	**21,856**	21,957	**12,433**	3,109
		43,279	46,112	**91,747**	80,940
Total assets		**57,133**	62,586	**107,340**	96,678
Current liabilities					
Insurance liabilities	26	**(935)**	(756)	**—**	—
Income tax liabilities		**(974)**	(601)	**—**	—
Trade and other payables	27	**(20,387)**	(23,922)	**(15,615)**	(16,120)
Lease liabilities	28	**(882)**	(1,371)	**—**	—
Contract liabilities	23	**(10,889)**	(12,169)	**—**	—
		(34,067)	(38,819)	**(15,615)**	(16,120)
Net current assets		**9,212**	7,293	**76,132**	64,820
Non-current liabilities					
Borrowings	29	**98**	50	**—**	—
Deferred tax liabilities	31	**(579)**	(373)	**—**	—
Provisions	30	**—**	(309)	**—**	—
Lease liabilities	28	**(5,756)**	(5,895)	**—**	—
Contract liabilities	23	**(1,094)**	(1,248)	**—**	—
		(7,331)	(7,775)	**—**	—
Total liabilities		**(41,398)**	(46,594)	**(15,615)**	(16,120)
Net assets		**15,735**	15,992	**91,725**	80,558
Equity					
Share capital	33	**24,153**	24,056	**24,153**	24,056
Share premium account		**45,225**	45,225	**45,225**	45,225
Merger reserve		**(100,399)**	(100,399)	**—**	—
Translation reserve		**834**	299	**—**	—
ESOP reserve		**17,490**	16,999	**10,864**	10,373
Retained earnings		**27,327**	28,928	**11,483**	904
Equity attributable to equity holders of the Company		**14,630**	15,108	**91,725**	80,558
Non-controlling interests		**1,105**	884	**—**	—
Total equity		**15,735**	15,992	**91,725**	80,558

The notes on pages 61 to 92 form an integral part of these financial statements.

The Company reported a profit for the financial year ended 31 December 2020 of £10,676,000 (2019: £18,210,000).

Approved by the Board of Directors and authorised for issue on 23 March 2021 and signed on its behalf by:

Jason Walsh
Chief Executive Officer

Oliver Laird
Chief Financial Officer

Company registration number: 07151159

Consolidated statement of changes in equity
For the year ended 31 December 2020

	Note	Share capital £'000	Share premium account £'000	Merger reserve £'000	Translation reserve £'000	ESOP reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
31 December 2018		24,021	45,225	(100,399)	478	15,884	30,323	15,532	734	16,266
Change of accounting policy – IFRS 16		—	—	—	—	—	(203)	(203)	—	(203)
At 1 January 2019		24,021	45,225	(100,399)	478	15,884	30,120	15,329	734	16,063
Loss for the year		—	—	—	—	—	(1,009)	(1,009)	65	(944)
Other comprehensive expense for the year		—	—	—	(179)	—	—	(179)	(40)	(219)
Total comprehensive expense for the year		—	—	—	(179)	—	(1,009)	(1,188)	25	(1,163)
Equity-settled share-based payment charge	34	—	—	—	—	1,115	—	1,115	—	1,115
Deferred tax on intangible asset	12	—	—	—	—	—	(58)	(58)	—	(58)
Exercise of share options		35	—	—	—	—	—	35	—	35
Movement in non-controlling interests		—	—	—	—	—	(125)	(125)	125	—
31 December 2019		24,056	45,225	(100,399)	299	16,999	28,928	15,108	884	15,992
Loss for the year		**—**	**—**	**—**	**—**	**—**	**(1,680)**	**(1,680)**	**83**	**(1,597)**
Other comprehensive income for the year		**—**	**—**	**—**	**535**	**—**	**—**	**535**	**(50)**	**485**
Total comprehensive expense for the year		**—**	**—**	**—**	**535**	**—**	**(1,680)**	**(1,145)**	**33**	**(1,112)**
Equity-settled share-based payment charge	34	**—**	**—**	**—**	**—**	**491**	**—**	**491**	**—**	**491**
Deferred tax on intangible asset	12	**—**	**—**	**—**	**—**	**—**	**58**	**58**	**—**	**58**
Exercise of share options	33	**97**	**—**	**—**	**—**	**—**	**(97)**	**—**	**—**	**—**
Movement in non-controlling interests	35	**—**	**—**	**—**	**—**	**—**	**118**	**118**	**188**	**306**
At 31 December 2020		**24,153**	**45,225**	**(100,399)**	**834**	**17,490**	**27,327**	**14,630**	**1,105**	**15,735**

Company statement of changes in equity
For the year ended 31 December 2020

	Note	Share capital £'000	Share premium account £'000	ESOP reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2019		24,021	45,225	9,258	(17,306)	61,198
Profit and total comprehensive income for the year	1	—	—	—	18,210	18,210
Equity-settled share-based payment charge	34	—	—	1,115	—	1,115
Exercise of share options		35	—	—	—	35
At 31 December 2019		24,056	45,225	10,373	904	80,558
Profit and total comprehensive income for the year	1	**—**	**—**	**—**	**10,676**	**10,676**
Equity-settled share-based payment charge	34	**—**	**—**	**491**	**—**	**491**
Exercise of share options	33	**97**	**—**	**—**	**(97)**	**—**
At 31 December 2020		**24,153**	**45,225**	**10,864**	**11,483**	**91,725**

Consolidated cash flow statement
For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Net cash from operating activities	36	**3,162**	1,138
Investing activities			
Interest received		**410**	499
Purchases of property, plant and equipment	17	**(356)**	(1,477)
Purchases of intangible assets	16	**(1,408)**	(2,184)
Receipts from net investment lease assets		**117**	157
Net cash used in investing activities		**(1,237)**	(3,005)
Financing activities			
Costs of refinancing the bank facility		**(110)**	—
Repayment of the lease liabilities		**(1,783)**	(1,770)
Proceeds on disposal of partial interest in a subsidiary	35	**329**	—
Interest paid		**(60)**	(444)
Issue of ordinary share capital		**—**	35
Net cash used in financing activities		**(1,624)**	(2,179)
Net decrease in cash and cash equivalents		**301**	(4,046)
Effect of foreign exchange rate changes		**(402)**	48
Cash and cash equivalents at 1 January		**21,957**	25,955
Cash and cash equivalents at 31 December	25	**21,856**	21,957

Notes to the financial statements

1. General information

CPPGroup Plc (the Company) is a public company limited by shares incorporated in England and Wales under the Companies Act 2006 and domiciled in the United Kingdom. Its registered office is 6 East Parade, Leeds LS1 2AD. 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. All financial information is rounded to the nearest thousand (£'000) except where otherwise indicated. 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 profit after tax for the year of £10,676,000 (2019: £18,210,000) which included dividends received from subsidiary undertakings of £14,000,000 (2019: £21,840,000).

2. Adoption of new Standards

New Standards adopted

The following Standards and Interpretations have become effective and have been adopted in these financial statements. The IFRS 16 practical expedient is effective for periods beginning on or after 1 June 2020 and has therefore been early adopted by the Group. There are no other Standards or Interpretations that have been adopted early in these financial statements.

Standard/Interpretation	Subject
IFRS 3 (amendments)	Business combinations – definition of a business
IAS 1 (amendments)	Presentation of financial statements – definition of material
IAS 8 (amendments)	Accounting estimates – definition of material
IFRS 16 (practical expedient)	COVID-19 related rent concessions

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)
IAS 1	Presentation of financial statements	31 December 2022
IFRS 17	Insurance contracts	31 December 2023

The Group has yet to quantify the impact of these new standards but does not expect them to have a material impact on the Group in future periods.

3. Significant accounting policies

Basis of preparation

These consolidated financial statements on pages 55 to 92 present the performance of the Group for the year ended 31 December 2020. The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs). The consolidated financial statements have 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.

Restatement of disclosures

In December 2019, the Card Protection policy book in the Italian branch of Card Protection Plan Limited (CPPL) was transferred to CPP Italia Srl, an Italian legal entity in the Ongoing Operations segment. The Italian branch of CPPL has subsequently been closed in 2020. The revenue and EBITDA associated with the policy book is material and in 2020 has been recognised in Ongoing Operations. As a result, in accordance with IFRS 8 *Operating Segments*, the Group has restated the comparative information to transfer the relevant Italian results from Restricted Operations to Ongoing Operations. The transfer recognised between segments in the comparative information for revenue is £2,913,000 and for EBITDA is £1,035,000. See note 5.

On 29 May 2020, a share consolidation was undertaken on the basis of one new ordinary share of £1 issued for every 100 former ordinary shares of 1 penny. Refer to note 33 for further details. In accordance with IAS 33 *Earnings per Share*, the share consolidation and change in nominal value of ordinary shares has resulted in a restatement of the comparative information, see note 14.

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 at least 12 months from the date of this report. Accordingly they continue 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 46.

3. Significant accounting policies continued

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.

Subsidiary undertakings are all entities over which the Group has the power to govern the financial and operating policies. The power to govern is also achieved when the Group is exposed to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. This power is generally accompanied by the Group having a shareholding of more than one half of the voting rights. 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.

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

The Group's current share plan under which it has issued share options is the 2016 Long Term Incentive Plan (2016 LTIP). Costs in relation to the 2016 LTIP are disclosed within administrative expenses.

The Group has an additional share-based payment scheme in the form of a Realisation Proceeds Plan (RPP). This scheme is treated as cash or equity-settled dependent upon the distributable proceeds resulting from a realisation event. The RPP scheme has been issued to certain employees and vests once a realisation event occurs. At the date at which the realisation event occurs the fair value of the award will be assessed and recognised through the income statement. The awards will be settled immediately following the realisation event with no such vesting period occurring and no subsequent measurement required.

The Group has issued share options to certain of its employees through legacy share plans which consist of the Matching Share Plan (MSP) and the Restricted Stock Plan (RSP). There are no costs recognised in relation to these plans in the consolidated income statement. Options under these plans have vested and remain available for exercise.

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.

Where the terms of an equity-settled award are modified, the cost based on the original award terms continues to be recognised over the remainder of the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the fair value of the original award and the fair value of the modified award, both as measured on the date of modification. No reduction is recognised if the difference is negative.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

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

Revenue recognition

Retail assistance revenue

The Group provides a range of assistance products and services that may be insurance backed as well as including a bundle of assistance and other services. Revenue attributable to the Group's assistance products is comprised of the prices paid by customers for the assistance products net of any cancellations, sales taxes and underwriting fees dependent on the terms of the arrangement.

Revenue is recognised either immediately on inception of a policy or over the duration of the policy where we have ongoing obligations to fulfil with a customer. The Group's performance obligations typically include a combination of intermediary services, claims handling and policy administration services and providing access to a range of relevant assistance benefits. This allocation of revenue is determined by each product and its features and is calculated on a cost plus margin basis. Revenue recognised on inception relates to the Group's role as intermediary in the policy sale and immediate delivery of certain features. Revenue recognised over the life of the policy relates to the administration process and ongoing services where obligations exist to provide future services, such as claims handling. The proportion of recognition on inception and over a period of time varies across the Group's suite of products dependent on the services performed and product features included. Provisions for cancellations are made at the time revenue is recorded and are deducted from revenue.

3. Significant accounting policies continued

Revenue recognition continued

Retail assistance revenue continued

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 duration of the service provided.

Wholesale policies

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

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.

Contract assets

The Group recognises contract assets in the consolidated balance sheet. Contract assets represent costs that are incremental to obtaining a customer contract, typically commission costs. Contract assets are recognised in the consolidated income statement in line with the profile of the associated revenue within the relevant customer contract. These assets have been classified as either current or non-current reflecting the period in which they are expected to be recognised through the consolidated income statement.

Contract liabilities

The Group recognises contract liabilities in the consolidated balance sheet. Contract liabilities have been classified as current or non-current, reflecting the period in which future performance obligations are expected to be satisfied and when the liability is to be recognised in the consolidated income statement.

Insurance revenue

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.

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.

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.

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.

Investments in subsidiaries

Investments in subsidiaries in the Company balance sheet are stated at cost less accumulated impairment losses. Investments are periodically reviewed for impairment by comparing the carrying value to value in use.

Business combinations

The acquisitions of subsidiaries are accounted for using the acquisition method. The consideration transferred for acquisition of a subsidiary is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired business. The acquired identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are measured at their fair value at the acquisition date. Acquisition-related costs are expensed as incurred.

Joint arrangements

Under IFRS 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has one joint venture at the time of reporting. Investments in joint ventures are accounted for using the equity method of accounting after being recognised initially at cost on the consolidated balance sheet. The investment is subsequently adjusted to recognise the Group's share of post-acquisition profits or losses and the Group's share of profit or loss is recognised in the consolidated income statement. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

The carrying amount of equity-accounted investments is tested for impairment in accordance with Group policy.

3. Significant accounting policies continued

Non-controlling interests
Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented within equity on the consolidated balance sheet, separately from the Company's equity holdings. The Group recognises any non-controlling interest in acquired entities on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

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

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

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Impairment
For the purpose of impairment testing, goodwill is allocated to cash generating units (CGUs). If the recoverable amount of a CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit. An impairment loss for goodwill is not reversed in a subsequent period.

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.

Intangible assets arising from 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.

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:

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

Impairment of intangible assets and property, plant and equipment
Annually the Group reviews the carrying amounts of both its intangible assets and property, plant and equipment to determine whether there is any 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.

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.

3. Significant accounting policies continued

Leases

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group's leases include properties, equipment and motor vehicles. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and low value assets. For these leases, the Group recognises the lease payments as an expense through the consolidated income statement on a straight line basis over the term of the lease.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments, discounted by using the relevant incremental borrowing rate available to the Group in each territory where a lease is held. Lease liabilities include the net present value of the following: lease payments; fixed payments, including any incentives; variable lease payments; and amounts payable under residual value guarantees.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated income statement over the lease period providing a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets

Right-of-use assets are measured at cost comprising the following: the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date; less any lease incentives received, any initial direct costs and final committed restoration costs.

The right-of-use asset is depreciated on a straight line basis over the shorter of the asset's useful life and the lease term.

Variable lease payments

When a lease includes terms that change the future lease payments, such as index-linked reviews, the lease liability (and related right-of-use asset) is remeasured based on the revised future lease payments at the date on which the revision is triggered.

Extension and termination options

A number of the Group's lease arrangements include extension and termination options. These terms are used to maximise operational flexibility in respect of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated), considering historical trends and circumstances of the lease arrangement.

Impact of IFRS 16 practical expedient for COVID-19 related rent concessions

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

c) there is no substantive change to other terms and conditions of the lease.

In the current financial year, the Group has applied the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date. The application of the amendment has not had a material impact on the Group's financial statements, refer to note 28.

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.

Pension costs

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

3. Significant accounting policies continued

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 initially recorded at fair value and subsequently at amortised cost using the effective interest method, less allowance for any estimated irrecoverable amounts.

Investments in debt instruments are initially measured at fair value, including transaction costs directly attributable to the acquisition of the financial asset. Financial assets held at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed.

Where debt instruments are designated as 'fair value through profit and loss', gains and losses arising from changes in fair value are included in the income statement for the period. For debt instruments designated as 'fair value through other comprehensive income' gains or losses arising from changes in fair value are recognised in other comprehensive income. Equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured by other means are held at amortised cost.

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 are measured at fair value with gains or losses recognised through the income statement.

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.

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 that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results in the future may differ from those reported.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Critical judgements

Revenue recognition

The Group recognises revenue either immediately on inception of a policy or over the duration of a policy where there are ongoing obligations to fulfil to a customer. Certain of the Group's contractual structures relating to product features require judgement in determining whether the Group carries an obligation to the customer over the term of the policy or if the exposure to that obligation has been transferred to a third party on inception. This judgement determines when the Group has completed the performance obligation to the customer and can recognise revenue.

The Group allocates revenue on a cost plus margin basis. The cost base may vary over time as product features are enhanced, suppliers changed or underlying costs move. Judgement is applied in determining if the resulting changes to the cost base represent a temporary or permanent adjustment in the allocation of revenue to performance obligations. If a change is considered temporary, or within a materiality threshold, revenue recognition principles are not amended to aid consistency.

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 on the income statement 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 and outside of the normal operating practice of the Group.

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

Assumptions and estimation uncertainties

Contractual matters

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

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

Current tax

The Group operates in countries with complex tax regulations, where filed tax positions may remain open to challenge by local tax authorities for several years. Corporation taxes are recognised by assessment of the specific tax law and likelihood of settlement. Where the Group has uncertain tax treatments it has recognised appropriate provisions reflecting the expected value calculated by the sum of the probability-weighted amounts in a range of possible outcomes.

Changes to the Group's assessment of uncertain tax treatments would be reflected through the consolidated income statement.

5. Segmental analysis

IFRS 8 *Operating segments* 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's operating segments are:

- Ongoing Operations: India, China, Turkey, Spain, Germany, Portugal, Italy, Mexico, Malaysia, the UK, Bangladesh, Blink and Southeast Asia. These businesses have no regulatory restrictions on new sales activity. These markets represent a combination of businesses in which we continue to invest and drive new opportunities as well as ones that have been strategically assessed and wound down or exited.
- Restricted Operations: historic renewal books of our UK regulated entities; CPPL, including its overseas branch in Malaysia; and HIL. As a result of regulatory restrictions we are not permitted to undertake new sales in these businesses.
- Central Functions: central cost base required to provide expertise and operate a listed group. Central Functions is stated after the recharge of certain central costs that are appropriate to transfer to both Ongoing Operations and Restricted Operations for statutory purposes.

In December 2019, the Italian renewal book was transferred from Restricted Operations to the EU Hub in Ongoing Operations. In accordance with IFRS 8 the comparatives have been restated for this segment reallocation. See note 3.

Segment revenue and performance for the current and comparative periods are presented below:

	Ongoing Operations 2020 £'000	Restricted Operations 2020 £'000	Central Functions 2020 £'000	Total 2020 £'000
Year ended 31 December 2020				
Revenue – external sales	**130,076**	**11,068**	**—**	**141,144**
Cost of sales	**(102,815)**	**(1,375)**	**—**	**(104,190)**
Gross profit	**27,261**	**9,693**	**—**	**36,954**
Administrative expenses excluding depreciation, amortisation and exceptional items	**(19,231)**	**(5,887)**	**(4,412)**	**(29,530)**
Segmental EBITDA	**8,030**	**3,806**	**(4,412)**	**7,424**
Share of loss of joint venture				**(264)**
EBITDA				**7,160**
Depreciation and amortisation				**(3,495)**
Exceptional items (note 6)				**(356)**
Operating profit				**3,309**
Investment revenues				**412**
Finance costs				**(415)**
Other gains and losses				**(1,294)**
Profit before taxation				**2,012**
Taxation				**(3,609)**
Loss for the year				**(1,597)**

5. Segmental analysis continued

	Ongoing Operations (Restated*) 2019 £'000	Restricted Operations (Restated*) 2019 £'000	Central Functions 2019 £'000	Total 2019 £'000
Year ended 31 December 2019				
Revenue – external sales	123,875	14,487	—	138,362
Cost of sales	(97,018)	(856)	—	(97,874)
Gross profit	26,857	13,631	—	40,488
Administrative expenses excluding depreciation, amortisation, and exceptional items	(21,282)	(7,023)	(6,421)	(34,726)
Segmental EBITDA	5,575	6,608	(6,421)	5,762
Share of loss of joint venture				(320)
EBITDA				5,442
Depreciation and amortisation				(3,305)
Exceptional items (note 6)				(510)
Operating profit				1,627
Investment revenues				508
Finance costs				(1,003)
Profit before taxation				1,132
Taxation				(2,076)
Loss for the year				(944)

* Restated for a change in the composition of operating segments. See note 3.

Segment assets

	2020 £'000	2019 (Restated*) £'000
Ongoing Operations	**42,536**	43,874
Restricted Operations	**7,564**	11,278
Central Functions	**5,113**	4,076
Total segment assets	**55,213**	59,228
Unallocated assets	**1,920**	3,358
Consolidated total assets	**57,133**	62,586

* Restated for a change in the composition of operating segments. See note 3.

Goodwill, deferred tax and investment in joint venture are not allocated to segments.

Capital expenditure

	Intangible assets		Property, plant and equipment		Right-of-use assets	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Ongoing Operations	**1,055**	1,857	**255**	1,069	**1,568**	3,065
Restricted Operations	**352**	32	**18**	145	**—**	—
Central Functions	**1**	295	**83**	263	**523**	—
Total assets	**1,408**	2,184	**356**	1,477	**2,091**	3,065

5. Segmental analysis continued

Revenues from major products

	2020 £'000	2019 £'000
Retail assistance policies	**131,022**	128,300
Retail insurance policies	**85**	97
Wholesale policies	**2,738**	3,859
Non-policy revenue	**7,299**	6,106
Consolidated total revenue	**141,144**	138,362

Major product streams are disclosed on the basis monitored by senior management. 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. The Group derives its revenue from contracts with customers for the transfer of goods and services which is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8.

Disclosures in notes 8, 21 and 26 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.

Timing of revenue recognition

The Group derives revenue from the transfer of goods and services over time and at a point in time as follows:

	2020 £'000	2019 £'000
At a point in time	**117,903**	115,014
Over time	**23,241**	23,348
Total	**141,144**	138,362

Geographical information

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

	External revenues		Non-current assets	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Geographical location				
India	**108,406**	99,613	**8,071**	7,791
UK	**12,082**	14,176	**2,062**	3,490
Spain	**7,538**	8,608	**256**	481
Other	**13,118**	15,965	**2,157**	2,846
Total	**141,144**	138,362	**12,546**	14,608

Information about major customers

Revenue from the customers of one business partner in the Group's Ongoing Operations segment represented approximately £73,739,000 (2019: £69,832,000) of the Group's total revenue.

6. Exceptional items

	Note	2020 £'000	2019 £'000
Restructuring costs	7	**161**	510
Impairment of goodwill	15	**880**	—
Customer redress and associated costs	7	**(685)**	—
Exceptional charge included in operating profit		**356**	510
Other gains and losses – foreign exchange reclassification		**1,294**	—
Total exceptional charge included in profit before tax		**1,650**	510
Tax on exceptional items	12	**—**	(125)
Total exceptional charge after tax	14	**1,650**	385

6. Exceptional items continued

Restructuring costs of £161,000 primarily relate to redundancy costs and onerous contracts associated with the closure of the Southeast Asia operation. The prior year restructuring of £510,000 relates to redundancy programmes in Spain and the UK-based central IT function.

Impairment of goodwill of £880,000 (2019: £nil) comprises the write down of goodwill relating to CPP Innovation Limited (Blink) of £776,000 and Valeos (2013) Limited (Valeos) of £104,000. The Directors decided to write down the goodwill following an assessment of discounted cash flow forecasts of each business. Blink's primary product, Travel, has been severely impacted by COVID-19 with market uncertainty continuing.

Customer redress and associated costs are a credit of £685,000 (2019: £nil) and relate to the reversal of certain redress payments made in prior years. The credit is considered exceptional as it is a reversal of exceptional charges recognised in previous years.

Other gains and losses in the year reflects a reclassification of cumulative translation adjustments of £1,294,000 (2019: £nil) from the translation reserve to the income statement. This related to the closure of overseas branches in Hong Kong and Italy.

7. Loss for the year

		Total	
	Note	2020 £'000	2019 £'000
Loss for the year has been arrived at after charging/(crediting):			
Operating lease charges	18	**256**	360
Net foreign exchange (gains)/losses	11	**(249)**	395
Depreciation of property, plant and equipment	17	**912**	690
Depreciation of right-of-use assets	18	**1,471**	1,302
Amortisation of intangible assets	16	**1,071**	991
Impairment of goodwill	15	**880**	—
Impairment of right-of-use assets	18	**41**	—
Impairment of intangible assets	16	**—**	322
Loss on disposal of property, plant and equipment	17	**30**	34
Loss on disposal of intangible assets	16	**54**	6
Customer redress and associated costs	6	**(685)**	—
Other gains and losses	6	**1,294**	—
Other restructuring costs	6	**(62)**	—
Staff costs			
Share-based payments	34	**499**	1,220
Restructuring/redundancy costs	6,9	**223**	785
Other staff costs	9	**27,368**	27,806
Total staff costs	9	**28,090**	29,811
Movement in the lifetime expected credit loss	24	**—**	—

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

	2020 £'000	2019 £'000
Payable to the Company's auditor for the audit of the Company and consolidated financial statements	**96**	62
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	**327**	322
Total audit services	**423**	384
Other services	**5**	15
Total non-audit services	**5**	15
	428	399

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

	2020 £'000	2019 £'000
Gross premiums written	**2,406**	1,448
Change in provision for unearned premiums	**(182)**	(158)
Earned premiums	**2,224**	1,290

8. Insurance revenues and costs continued

Costs incurred from insurance activities

	2020 £'000	2019 £'000
Claims (recovered)/paid		
– Gross amount	**(9)**	76
– Decrease in provision for gross claims	**(3)**	(19)
	(12)	57
Acquisition costs		
– Costs incurred	**1**	2
– Movement in deferred acquisition costs	**—**	—
	1	2
Other expenses	**1,121**	1,223
	1,110	1,282

The following assumption has an 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.

Earned premiums of £2,224,000 is higher than revenue from retail insurance disclosed in note 5. Earned premiums includes charges for assistance features and as such are disclosed within revenue from retail assistance in note 5.

Other expenses are costs associated with servicing customers and administration costs related to operating a regulated insurance business in the UK.

Claims recovered in the year of £9,000 includes £17,000 relating to the reversal of claims cheques paid in prior years that have not been cashed.

9. Staff costs

Staff costs during the year (including Executive Directors)

	Total	
	2020 £'000	2019 £'000
Wages and salaries	**24,064**	24,200
Social security costs	**2,508**	2,800
Restructuring/redundancy costs	**223**	785
Share-based payments (see note 34)	**499**	1,220
Pension costs	**796**	806
	28,090	29,811

Average number of employees

	2020	2019
Ongoing Operations	**1,898**	1,634
Restricted Operations	**48**	64
Central Functions	**95**	102
	2,041	1,800

The increase in average number of employees in Ongoing Operations reflects the growth in Globiva in the current year.

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

Total staff costs incurred by the Company during the year were £3,342,000 (2019: £3,962,000) and the average number of employees was 10 (2019: 11).

Details of the remuneration of Directors are included in the Directors' Remuneration Report on pages 42 to 44.

10. Investment revenues

	Total	
	2020 £'000	2019 £'000
Interest on bank deposits	**410**	499
Interest on net investment lease assets	**2**	9
	412	508

11. Finance costs

	Total 2020 £'000	2019 £'000
Interest on borrowings	**60**	50
Amortisation of capitalised loan issue costs	**62**	44
Interest on lease liabilities	**542**	514
Other – exchange movements	**(249)**	395
	415	1,003

12. Taxation

	2020 £'000	2019 £'000
Current tax charge:		
UK corporation tax	**156**	71
Foreign tax	**2,926**	1,836
Adjustments in respect of prior years	**(29)**	(103)
Total current tax	**3,053**	1,804
Deferred tax charge:		
Origination and reversal of timing differences	**546**	254
Impact of change in UK tax rates	**10**	(10)
Adjustments in respect of prior years	**—**	28
Total deferred tax	**556**	272
Total tax charge	**3,609**	2,076

The following is a segmental review of the tax charge, in which withholding taxes arising on distributions are attributed to the country paying the distribution:

	2020 £'000	2019 £'000
Ongoing operations:		
India	**2,428**	1,438
EU hub	**584**	431
Turkey	**340**	166
Rest of World	**7**	—
Total Ongoing Operations	**3,359**	2,035
Restricted Operations	**—**	—
Central Functions	**250**	41
Total tax charge	**3,609**	2,076

Overall, UK profits chargeable to corporation tax are offset by group relief surrendered from fellow UK entities.

UK corporation tax is calculated at 19% (2019: 19%) of the estimated assessable profit for the year. The March 2021 Budget announced an increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date, as a result deferred tax balances as at 31 December 2020 continue to be measured at 19%. If all of the deferred tax was to reverse at the amended rate the impact to the closing deferred tax position would be to increase the deferred tax asset by £15,000.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions – India 25.2% inclusive of surcharges (2019: 25.2%); Spain 25% (2019: 25%); Turkey 22% (2019: 22%) which is reducing to 20% in 2021; and Italy 27.5% (2019: 27.5%). Non-UK deferred tax is provided at the local prevailing tax rate.

12. Taxation continued

The charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	2020 £'000	2019 £'000
Profit before tax	**2,012**	1,132
Effects of:		
Tax at the UK corporation tax rate of 19% (2019: 19%)	**382**	215
Unprovided deferred tax arising on losses[1]	**699**	440
Other movement in unprovided deferred tax	**185**	141
Recurring expenses not deductible for tax	**304**	339
One-off costs not deductible for tax[2]	**395**	—
Provision for withholding tax on future distributions[3]	**789**	250
Other expense not chargeable for tax purposes	**171**	71
Higher tax rates on overseas earnings[4]	**552**	521
Adjustments in respect of prior years	**(29)**	(75)
Impact of change in future tax rates on deferred tax	**10**	(10)
Surplus of share option charge compared to tax allowable amount	**151**	184
Total tax charged to income statement	**3,609**	2,076

Effective tax charge

The net tax charge of £3,609,000 on a profit before tax of £2,012,000 results in an effective tax rate of 179% (2019: 183%) which is higher than the UK standard rate of 19%. Additional information is provided below:

1. deferred tax has not been recognised on the losses arising in developing markets as the short-term profit expectations do not support the recognition of deferred tax assets in these areas;
2. there are one-off consolidation adjustments which are not tax deductible and therefore increase the tax charge, such as the impairment of Blink goodwill and foreign exchange losses arising on the closure of overseas branches;
3. there is a withholding tax charge arising on repatriation of funds from overseas countries; and
4. tax is chargeable at the local statutory rate in our profitable countries, which are higher than the UK corporate income tax rate of 19%.

The Group's effective tax rate is expected to be considerably higher than the UK statutory tax rate in future years as profits continue to be generated in territories with higher than UK tax rates, withholding taxes are provided on overseas distributions and deferred tax credits are not taken on losses arising in developing markets. The Group expects the rate to reduce from the current level.

The Group maintains appropriate provisions in respect of tax uncertainties arising from operating in multiple overseas jurisdictions.

Income tax charged to reserves during the year was as follows:

	2020 £'000	2019 £'000
Deferred tax (credit)/charge		
Timing differences on business partner intangible	**(58)**	58
Total deferred tax (credit)/charge	**(58)**	58
Total tax (credited)/charged to reserves	**(58)**	58

13. Dividends

After 31 December 2020, the Directors have proposed a final dividend of 25 pence per ordinary share. The proposed final dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these financial statements. The proposed dividend is expected to be paid on 12 May 2021 to all shareholders on the Register of Members on 9 April 2021 with the ex-dividend date being 8 April 2021.

14. Loss per share

Basic and diluted loss per share has been calculated in accordance with IAS 33 *Earnings per Share*. Underlying loss per share has 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 or increase the loss per share attributable to equity holders. The diluted loss per share is therefore equal to the basic loss per share in the current and prior year.

Loss

	Total	
	2020 £'000	**2019 £'000**
Loss for the purposes of basic and diluted loss per share	**(1,680)**	(1,009)
Exceptional items (net of tax)	**1,650**	385
Loss for the purposes of underlying basic and diluted loss per share	**(30)**	(624)

Number of shares

	2020 Number (thousands)	2019 (Restated*) Number (thousands)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share and basic and diluted underlying loss per share	**8,713**	8,629

	Total	
	2020 Pence	**2019 (Restated*) Pence**
Basic and diluted loss per share	**(19.28)**	(11.69)
Basic and diluted underlying loss per share	**(0.34)**	(7.23)

* Restated for the share consolidation completed on 29 May 2020. See note 3.

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 per share.

15. Goodwill

	2020 £'000	2019 £'000
Cost and carrying value		
At 1 January	**1,492**	1,492
Impairment charge	**(880)**	—
At 31 December	**612**	1,492

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	2020 £'000	2019 £'000
Blink	**—**	776
Valeos	**—**	104
Globiva	**612**	612
At 31 December	**612**	1,492

During the financial year ended 31 December 2020 a total impairment charge of £880,000 was recognised against goodwill held (2019: £nil). This was in relation to the acquired goodwill of Blink and Valeos, which have been written down in full, see note 6.

The Group tests goodwill annually for impairment or more frequently if there is indication goodwill may be impaired.

15. Goodwill continued

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using rates that reflect current market assessments of the time value of money and risks specific to the CGU. The growth rates are based on business plans and reflect the early development stage of the CGUs. The pre-tax rate used to discount the forecast cash flows of the CGU at 31 December 2020 is 11% (2019: 11%).

16. Other intangible assets

	Business partner relationships £'000	Internally generated software £'000	Externally acquired software £'000	Total £'000
Cost				
At 1 January 2019	304	1,600	3,345	5,249
Additions	340	1,237	607	2,184
Disposals	—	—	(7)	(7)
Exchange adjustments	—	(76)	(149)	(225)
At 1 January 2020	644	2,761	3,796	7,201
Additions	**—**	**1,267**	**141**	**1,408**
Disposals	**—**	**—**	**(265)**	**(265)**
Exchange adjustments	**—**	**(79)**	**(23)**	**(102)**
At 31 December 2020	**644**	**3,949**	**3,649**	**8,242**
Accumulated amortisation				
At 1 January 2019	—	505	1,956	2,461
Provided during the year	88	339	564	991
Disposals	—	—	(1)	(1)
Impairment	—	—	322	322
Exchange adjustments	(1)	(7)	(97)	(105)
At 1 January 2020	87	837	2,744	3,668
Provided during the year	**142**	**501**	**428**	**1,071**
Disposals	**—**	**—**	**(211)**	**(211)**
Exchange adjustments	**(6)**	**(4)**	**(17)**	**(27)**
At 31 December 2020	**223**	**1,334**	**2,944**	**4,501**
Carrying amount				
At 31 December 2019	557	1,924	1,052	3,533
At 31 December 2020	**421**	**2,615**	**705**	**3,741**

Amortisation of intangible assets totalling £1,071,000 (2019: £991,000) is recognised through administrative expenses in the consolidated income statement.

Internally generated software additions of £1,267,000 (2019: £1,237,000) reflect the capitalisation of staff costs in IT development projects.

Internally generated software includes £622,000 (2019: £765,000) relating to assets in development which are not yet operational and are not amortised. The assets held at 31 December 2020 have an anticipated delivery date of 2022.

17. Property, plant and equipment

	Leasehold improvements £'000	Computer systems £'000	Furniture and equipment £'000	Total £'000
Cost				
At 1 January 2019	919	3,461	938	5,318
Additions	174	1,178	125	1,477
Disposals	(33)	(262)	(309)	(604)
Exchange adjustments	(54)	(193)	(59)	(306)
At 1 January 2020	1,006	4,184	695	5,885
Additions	**103**	**223**	**30**	**356**
Disposals	**(150)**	**(776)**	**(213)**	**(1,139)**
Exchange adjustments	**(27)**	**(44)**	**(33)**	**(104)**
At 31 December 2020	**932**	**3,587**	**479**	**4,998**
Accumulated depreciation				
At 1 January 2019	385	2,605	611	3,601
Provided during the year	197	409	84	690
Disposals	(33)	(244)	(293)	(570)
Exchange adjustments	(34)	(130)	(34)	(198)
At 1 January 2020	515	2,640	368	3,523
Provided during the year	**222**	**582**	**108**	**912**
Disposals	**(136)**	**(761)**	**(212)**	**(1,109)**
Exchange adjustments	**(19)**	**31**	**(10)**	**2**
At 31 December 2020	**582**	**2,492**	**254**	**3,328**
Carrying amount				
At 31 December 2019	491	1,544	327	2,362
At 31 December 2020	**350**	**1,095**	**225**	**1,670**

18. Leases

The Group's right-of-use assets are as follows:

	Property £'000	Motor vehicles £'000	Equipment £'000	Total £'000
Cost				
At 1 January 2019 – on adoption of IFRS 16	4,617	196	310	5,123
Additions	3,024	41	—	3,065
Exchange adjustments	(421)	(19)	—	(440)
At 1 January 2020	7,220	218	310	7,748
Additions	**2,062**	**29**	**—**	**2,091**
Disposals	**(1,344)**	**(29)**	**(20)**	**(1,393)**
Exchange adjustments	**(297)**	**(9)**	**—**	**(306)**
At 31 December 2020	**7,641**	**209**	**290**	**8,140**
Accumulated depreciation				
At 1 January 2019 – on adoption of IFRS 16	—	—	—	—
Provided during the year	1,137	89	76	1,302
Exchange adjustments	(46)	(4)	—	(50)
At 1 January 2020	1,091	85	76	1,252
Provided during the year	**1,323**	**73**	**75**	**1,471**
Disposals	**(637)**	**(14)**	**(12)**	**(663)**
Impairment	**41**	**—**	**—**	**41**
Exchange adjustments	**(52)**	**(6)**	**—**	**(58)**
At 31 December 2020	**1,766**	**138**	**139**	**2,043**
Carrying amount				
At 31 December 2019	6,129	133	234	6,496
At 31 December 2020	**5,875**	**71**	**151**	**6,097**

The Group has recognised the following amounts in loss for the year:

	2020 £'000	2019 £'000
Depreciation and impairment of right-of-use assets	**1,512**	1,302
Credit relating to rent concessions	**(86)**	—
Interest expense on lease liabilities	**542**	514
Interest received on net investment lease asset	**(2)**	(9)
Expense relating to short-term leases	**160**	338
Expense relating to leases of low value assets	**34**	22

At 31 December 2020, the Group was committed to £101,000 (2019: £215,000) for short-term leases.

The net cash outflow for leases amounts to £1,666,000 (2019: £1,613,000).

19. Investment in subsidiaries

Company	2020 £'000
Cost	
At 1 January	**15,597**
Acquisitions	**—**
Disposals	**—**
At 31 December	**15,597**
Provisions for impairment	
At 1 January	**—**
Recognised in the year	**52**
At 31 December	**52**
Carrying amount	
At 1 January	**15,597**
At 31 December	**15,545**

19. Investment in subsidiaries continued

There have been no acquisitions or disposals of investments in the financial year ended 31 December 2020.

The investment impairment of £52,000 (2019: £nil) during the year reflects the closure of the operation in Southeast Asia.

Investments in Group entities at 31 December 2020 were as follows:

	Country of incorporation/ registration	Class of shares held	Percentage of share capital held
Investments in subsidiary undertakings held directly			
CPP Group Limited	England & Wales	Ordinary shares	100%
CPP Worldwide Holdings Limited	England & Wales	Ordinary shares	100%
CPP South East Asia Assistance Services Pte. Limited	Singapore	Ordinary shares	100%
Investments in subsidiary undertakings held through an intermediate subsidiary			
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 Holdings Limited	England & Wales	Ordinary shares	100%
CPP International Holdings Limited	England & Wales	Ordinary shares	100%
CPP 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%
Valeos (2013) Limited	England & Wales	Ordinary shares	100%
Blink Innovation (UK) Limited	England & Wales	Ordinary shares	100%
CPP Innovation Limited	Ireland	Ordinary shares	100%
CPP Technology Services (Shanghai) Co. Limited	China	Ordinary shares	100%
CPP Creating Profitable Partnerships GmbH	Germany	Ordinary shares	100%
CPP Asia Limited	Hong Kong	Ordinary shares	100%
CPP Assistance Services Private Limited	India	Ordinary shares	100%
Globiva Services Private Limited	India	Ordinary shares	51%
CPP Global Assistance Bangladesh Limited	Bangladesh	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%

On 11 August 2020, in accordance with performance targets established on acquisition, the Group sold 10% of its shares in Globiva Service Private Limited to its founders. This has reduced the percentage of shares held by the Group from 61% to 51%. See note 35 for further detail.

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

The individual entities' registered addresses are shown in the Company offices section on page 95.

19. Investment in subsidiaries continued

The following subsidiaries are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A of the Act.

	Company number
CPP Group Limited	06535283
CPP Worldwide Holdings Limited	07154018
CPP European Holdings Limited	04362765
CPP Holdings Limited	01659493
CPP International Holdings Limited	04543668
CPP Services Limited	03709675
Valeos (2013) Limited	08718589

20. Investment in joint venture

Movement in the Group's share in joint ventures is as follows:

	2020 £'000	2019 £'000
Carrying amount at 1 January	**714**	1,034
Share of losses in the year	**(264)**	(320)
Carrying amount at 31 December	**450**	714

The Group holds a 20% share of KYND Limited (KYND) whose registered office is International House, Canterbury Crescent, London SW9 7QD. The Group's shareholding is in the form of preference and deferred shares. KYND incurred losses of £1,316,000 (2019: £1,600,000) during the year. The Group's share of the loss in the joint venture is £264,000 (2019: £320,000) which has been recognised in the consolidated income statement. The carrying value of the investment has been adjusted for these losses resulting in a carrying amount of £450,000 at 31 December 2020 (2019: £714,000). The losses are not deemed an indicator of impairment as KYND continues to be in the early stages of its business development.

The summarised financial information of KYND, in which the Group has a 20% interest, is as follows:

	2020 £'000	2019 £'000
Non-current assets	**30**	41
Current assets	**862**	464
Current liabilities	**(312)**	(119)
Non-current liabilities	**(1,510)**	—
Net (liabilities)/assets	**(930)**	386
Group's share of net (liabilities)/assets	**(186)**	77

	2020 £'000	2019 £'000
Revenue	**171**	19
Expenses	**(1,487)**	(1,619)
Loss for the period	**(1,316)**	(1,600)
Group's share of loss for the period	**(264)**	(320)

21. Insurance assets

	2020 £'000	2019 £'000
Amounts due from policyholders and intermediaries	**46**	42

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

Credit is not generally offered to retail customers on insurance premiums. No interest is charged on insurance receivables at any time.

Individually or collectively material insurance receivables are assessed for expected credit losses based on past experience of credit default with those counterparties. There has been no instance of credit defaults with insurance customers or counterparties and credit risk is reduced as insurance receivables are dispersed amongst a broad customer base.

The Group's insurance receivable balance does not include any debtors which are past due at the balance sheet date in either the current or prior year.

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

22. Inventories

	2020 £'000	2019 £'000
Consumables and supplies	**145**	87

23. Contract assets and liabilities

The Group has recognised the following assets and liabilities related to contracts with customers:

	2020 £'000	2019 £'000
Non-current contract assets	**426**	709
Current contract assets	**4,853**	6,108
Total contract assets	**5,279**	6,817

Contract assets represent deferred commission costs that are recognised in line with the pattern of recognition of the associated revenue. Non-current contract assets will be charged to the balance sheet over a period of greater than 12 months from the balance sheet date.

	2020 £'000	2019 £'000
Non-current contract liabilities	**1,094**	1,248
Current contract liabilities	**10,889**	12,169
Total contract liabilities	**11,983**	13,417

Contract liabilities represent revenue which is recognised over the life of a policy. Non-current contract liabilities will be credited to the consolidated income statement over a period of greater than 12 months from the balance sheet date.

24. Trade and other receivables

	Consolidated		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade receivables	**8,409**	9,330	**—**	—
Prepayments and accrued income	**4,016**	5,187	**39**	64
Amounts due from Group entities	**—**	—	**79,262**	77,746
Other debtors	**3,954**	3,261	**13**	21
Total trade and other receivables	**16,379**	17,778	**79,314**	77,831

The Group's 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.

Wholesale counterparty balances are assessed for expected credit losses based on past experience of credit default with those counterparties and the Group's experience as a whole in relation to credit defaults. The Group does not have any notable past experience 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 29 days (2019: 30 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.

The Group has not provided, in either the current or prior year, for any debtors included in the Group's trade receivable balances which are past due at the reporting date. There has been no material change in credit quality of our debtors and the Group believes that the amounts are still recoverable.

Movement in the lifetime expected credit loss

	2020 £'000	2019 £'000
At 1 January	**—**	—
Decrease in expected credit loss recognised in the income statement	**—**	—
At 31 December	**—**	—

The Company has amounts due from Group entities which are repayable on demand. Interest has been charged on these balances in line with the Group's external borrowing rate for the majority of the year, which was LIBOR plus 2.5%.

The Company has recognised a provision for non-recoverability of inter-company loans totalling £774,000 (2019: £nil). The Company has not previously held a provision for non-recoverability of receivables.

25. Cash and cash equivalents

Consolidated cash and cash equivalents of £21,856,000 (2019: £21,957,000) comprises cash held on demand by the Group and short-term deposits.

Cash and cash equivalents includes £753,000 (2019: £987,000) required to be maintained by the Group's insurance business for solvency 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:

	2020 £'000	2019 £'000
AA	**3,832**	4,595
A	**9,155**	10,683
BBB	**4,003**	1,864
BB	**4,362**	3,472
B	**—**	—
Rating information not available	**504**	1,343
	21,856	21,957

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 was £12,433,000 (2019: £3,109,000). The balance has increased in the year following the receipt of dividends from subsidiary undertakings of £14,000,000. The benefit of this has been partly offset by ongoing central costs recognised in the Company.

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. Cash and cash equivalents for the Company includes £12,424,000 (2019: £3,104,000) which is held in a bank account subject to this arrangement.

26. Insurance liabilities

	2020 £'000	2019 £'000
Claims reported	**—**	3
Claims incurred but not reported	**—**	—
Total claims	**—**	3
Unearned premium	**935**	753
Total insurance liabilities	**935**	756

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 12 months.

Provision for unearned premiums

	2020 £'000	2019 £'000
At 1 January	**753**	595
Written in the year	**2,406**	1,448
Earned in the year	**(2,224)**	(1,290)
At 31 December	**935**	753

Unearned premiums are released as revenue on a straight line basis over the life of the relevant policy. Unearned premiums have increased following a contractual change in premium allocation with another Group company. The change was implemented to all renewals from 1 October 2019 onwards.

Movement in claims provision

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 2019	22	—	22
Cash paid for claims settled in the year	(76)	—	(76)
Increase in liabilities arising from current year claims	57	—	57
At 1 January 2020	3	—	3
Cash paid for claims settled in the year	**9**	**—**	**9**
Increase in liabilities arising from current year claims	**5**	**—**	**5**
Claims cheques not cashed	**(17)**	**—**	**(17)**
At 31 December 2020	**—**	**—**	**—**

27. Trade and other payables

	Consolidated		Company	
	2020 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**
Trade creditors and accruals	**18,359**	20,184	**1,444**	1,478
Other tax and social security	**1,650**	1,683	**157**	78
Other payables	**378**	2,055	**3**	—
Amounts payable to Group entities	**—**	—	**14,011**	14,564
Total trade and other payables	**20,387**	23,922	**15,615**	16,120

Trade creditors and accruals comprise amounts outstanding for trade purchases and ongoing costs. The average credit period for trade purchases is 35 days (2019: 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.

The Company has amounts payable to Group entities which are repayable on demand. Interest has been charged on these balances in line with the Group's external borrowing rate for the majority of the year, which was LIBOR plus 2.5%.

28. Lease liabilities

The maturity analysis of the Group's lease liabilities is as follows:

	2020 £'000	**2019 £'000**
Year 1	**1,396**	1,925
Year 2	**1,317**	1,344
Year 3	**1,250**	1,183
Year 4	**1,139**	1,127
Year 5	**1,132**	1,028
After 5 years	**2,628**	3,137
	8,862	9,744
Less: unearned interest	**(2,224)**	(2,478)
Total lease liabilities	**6,638**	7,266

	2020 £'000	**2019 £'000**
Non-current lease liabilities	**5,756**	5,895
Current lease liabilities	**882**	1,371
Total lease liabilities	**6,638**	7,266

As a result of the COVID-19 pandemic the Group has benefited from lease payment holidays on certain of its lease agreements and extensions on two leases. The Group has applied the practical expedient to these rent concession agreements. The payment holidays have reduced the payment in the year to 31 December 2020 by £132,000 and the extensions have increased the payments in the year to 31 December 2024 and 31 December 2025 by £21,000 and £26,000 respectively. The Group has re-measured the lease liability using the revised lease payments and the discount rate originally applied to the lease, resulting in a decrease in the lease liability of £86,000 which has been recognised in the income statement as a credit to variable lease expense.

In the previous financial year ended 31 December 2019 the Group had arrangements on a property in the UK where it had subleases that were classified as finance leases. During the financial year ended 31 December 2020 these sublease arrangements were terminated early and the net investment asset was derecognised. The net investment lease asset recognised in the financial statements is as follows:

	2020 £'000	**2019 £'000**
Year 1	**—**	143
Year 2	**—**	16
	—	159
Less: unearned interest	**—**	(3)
Total net investment lease assets	**—**	156

	2020 £'000	**2019 £'000**
Non-current net investment assets	**—**	16
Current net investment assets	**—**	140
Total net investment lease assets	**—**	156

29. Borrowings

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

	Consolidated		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Bank loans due in less than one year	—	—	—	—
Less: unamortised issue costs	—	—	—	—
Borrowings due within one year	—	—	—	—
Bank loans due outside of one year	—	—	—	—
Less: unamortised issue costs	(98)	(50)	—	—
Borrowings due outside of one year	(98)	(50)	—	—

The Group's bank borrowing facility is in the form of a £5,000,000 revolving credit facility (RCF). At 31 December 2020, the Group has £5,000,000 undrawn committed borrowing facilities (2019: £5,000,000).

On 26 August 2020, the £5,000,000 RCF was extended for a three-year term to 31 August 2023. The extended RCF bears interest at a variable rate of LIBOR plus a margin of 3.75%. 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.

The weighted average interest rate paid during the year on the bank loan was 1.2% (2019: 1.0%). The weighted average interest rate reflects the interest rate charged for the commitment on the undrawn element, the rate for which increased on renewal of the RCF to 1.5% from 1.0%.

30. Provisions

	Onerous lease and dilapidation costs	
	2020 £'000	2019 £'000
At 1 January	309	862
Credited to the income statement	(93)	(43)
Utilised in the year	(216)	(278)
Derecognised on the adoption of IFRS 16	—	(232)
At 31 December	—	309

The onerous lease and dilapidation costs provision of £309,000 related to expected dilapidation costs on expiry of a lease in the UK. Following a negotiated early exit of the lease in September 2020, dilapidation costs totalling £216,000 were agreed with the landlord, with the surplus provision of £93,000 credited to exceptional items in the income statement.

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 as per the following table:

	2020 £'000	2019 £'000
Within one year	—	—
Outside of one year	—	309
At 31 December	—	309

31. 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	Tax losses £'000	Withholding taxes on future dividends £'000	Share-based payments £'000	Other short-term timing differences £'000	Total £'000
At 1 January 2019	790	—	111	234	1,135
(Charged)/credited to income statement	(97)	(250)	30	45	(272)
Business partner intangible	—	—	—	(58)	(58)
Exchange differences	(26)	—	—	—	(26)
At 1 January 2020	667	(250)	141	221	779
(Charged)/credited to income statement	**(137)**	**(328)**	**(94)**	**2**	**(557)**
Business partner intangible	**—**	**—**	**—**	**58**	**58**
Exchange differences	**(26)**	**—**	**—**	**25**	**(1)**
At 31 December 2020	**504**	**(578)**	**47**	**306**	**279**

Company	Share-based payments £'000
At 1 January 2019	111
Charged to income statement	30
Charged to equity	—
At 1 January 2020	141
Credited to income statement	**(93)**
Charged to equity	**—**
At 31 December 2020	**48**

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	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Deferred tax assets	**858**	1,152	**48**	141
Deferred tax liabilities	**(579)**	(373)	**—**	—
	279	779	**48**	141

At the balance sheet date the Group has unused tax losses of £47,332,000 (2019: £49,924,000) available for offset against future profits. A deferred tax asset of £561,000 (2019: £667,000) has been recognised in respect of anticipated profits in Germany. No other deferred tax asset has been recognised with respect to 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 these losses are £3,964,000 (2019: £7,663,000) which, if not used, will expire between one and twelve years (2019: one and twelve years). Other losses will be carried forward indefinitely.

The Group has recognised a deferred tax liability for withholding taxes arising on unremitted earnings from overseas subsidiaries, to the extent it is probable that a distribution will be made in the foreseeable future crystallising the withholding tax.

At the balance sheet date the Company has unused tax losses of £18,184,000 (2019: £17,645,000) 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.

32. 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, this was extended in August 2020 for a further three-year term expiring on 31 August 2023.

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 are intending to re-embark with a dividend policy including the proposal to pay a final dividend in respect of the current year.

Externally imposed capital requirement

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

Card Protection Plan Limited and Blink Innovation (UK) Limited

CPPL and Blink UK are regulated by the FCA as insurance intermediaries and are 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.

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 2020, HIL's ratio of eligible funds to meet its Solvency Capital Requirement was 138% (2019: 146%) (both the current and prior year are unaudited). 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

	2020 £'000	2019 £'000
Financial assets	**34,468**	34,746

Financial assets comprise cash and cash equivalents, net investment lease assets, 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

	2020 £'000	2019 £'000
Financial liabilities at amortised cost	**27,996**	32,101

Financial liabilities at amortised cost comprise lease liabilities, 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.

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 2020 was 138x (2019: 109x).

32. Financial instruments continued

Interest rate sensitivity analysis

The Group is mainly exposed to movements in the relevant inter-bank lending rates in the jurisdictions in which cash balances are held. The following table details the Group's sensitivity to a 2% increase and a 1.5% decrease in inter-bank lending rates throughout the year. These percentages represent the Directors' assessment of a reasonably possible change in inter-bank lending rates across all geographical areas where cash is held. The sensitivity analysis includes the impact of changes in inter-bank lending rates on yearly average cash and bank loans.

	2020 £'000	2019 £'000
Increase of 2%		
Increase in profit before tax	**415**	433
Increase in shareholders' equity	**415**	433
Decrease of 1.5%		
Decrease in profit before tax	**(310)**	(325)
Decrease in shareholders' equity	**(310)**	(325)

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	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Euro	**3,134**	4,655	**5,338**	6,047
Indian rupee	**9,920**	13,786	**14,166**	16,339
Turkish lira	**988**	1,548	**2,127**	2,303

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 20% decrease in the euro, Indian rupee and Turkish lira exchange rates with sterling. 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		Turkish lira currency impact	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Profit before tax	**(46)**	(6)	**—**	—	**(218)**	(89)
Shareholders' equity	**(367)**	(232)	**(708)**	(426)	**(190)**	(126)

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 assets in note 21 and trade and other receivables in note 24.

The carrying amount of financial assets recorded in the consolidated financial statements, which are stated net of expected credit losses and 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. The Group has significant available cash balances; however, increasingly cash is being generated through our Indian operation and is not currently available in its entirety for repatriation to the UK due to historical trading losses. 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 29.

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

32. Financial instruments continued

Liquidity and interest risk tables

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
2019							
Non-interest bearing assets	n/a	8,118	1,684	1,987	406	438	12,633
Variable rate instruments	2.3%	16,000	6,025	72	16	—	22,113
		24,118	7,709	2,059	422	438	34,746
2020							
Non-interest bearing assets	**n/a**	**6,572**	**2,380**	**2,828**	**832**	**—**	**12,612**
Variable rate instruments	**1.9%**	**18,353**	**3,503**	**—**	**—**	**—**	**21,856**
		24,925	**5,883**	**2,828**	**832**	**—**	**34,468**

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
2019						
Non-interest bearing liabilities	13,870	5,733	5,029	57	146	24,835
Variable rate instruments	121	366	884	3,167	2,728	7,266
Fixed rate instruments	8	15	68	15	—	106
	13,999	6,114	5,981	3,239	2,874	32,207
2020						
Non-interest bearing liabilities	**10,291**	**3,719**	**6,458**	**296**	**594**	**21,358**
Variable rate instruments	**79**	**158**	**645**	**3,453**	**2,303**	**6,638**
Fixed rate instruments	**6**	**13**	**56**	**125**	**—**	**200**
	10,376	**3,890**	**7,159**	**3,874**	**2,897**	**28,196**

Insurance risk

The Group's exposure to risk from insurance contracts has reduced significantly in recent times; however, it continues to apply a prudent approach to its management of remaining potential exposures.

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

The Group's policy is to establish a specific claims provision 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 provisions carried are provided in note 26.

The Group continues to monitor changes in rates of claims and settlement costs per claim. In addition, reliance on key suppliers to fulfil the Group's insurance contracts continues to be monitored.

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

33. Share capital

	Ordinary shares of 1 penny each (thousands)	Ordinary shares of £1 each (thousands)	Deferred shares of 9 pence each (thousands)	Total (thousands)
Called-up and allotted				
At 1 January 2020	864,650	—	171,650	1,036,300
Issue of shares in connection with:				
Exercise of share options (pre-consolidation)	**9,485**	**—**	**—**	**9,485**
Share consolidation	**(874,135)**	**8,741**	**—**	**(865,394)**
Exercise of share options (post-consolidation)	**—**	**2**	**—**	**2**
At 31 December 2020	**—**	**8,743**	**171,650**	**180,393**

	Ordinary shares of 1 penny each £'000	Ordinary shares of £1 each £'000	Deferred shares of 9 pence each £'000	Total £'000
Called-up and allotted				
At 1 January 2020	8,643	—	15,413	24,056
Issue of shares in connection with:				
Exercise of share options (pre-consolidation)	**95**	**—**	**—**	**95**
Share consolidation	**(8,738)**	**8,738**	**—**	**—**
Exercise of share options (post-consolidation)	**—**	**2**	**—**	**2**
At 31 December 2020	**—**	**8,740**	**15,413**	**24,153**

On 29 May 2020, a share consolidation was undertaken on the basis of one new ordinary share of £1 issued for every 100 former ordinary shares of 1 penny. The share consolidation exercise has reduced the total number of ordinary shares in issue by 865,394,000 whilst the equity value has remained unchanged. The new ordinary shares carry the same rights as the former ordinary shares. The deferred shares were not subject to the share consolidation.

Of the 8,743,463 ordinary shares in issue at 31 December 2020, 8,738,463 are fully paid and 5,000 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.

34. Share-based payment

Equity-settled share-based payments

Current share plans

Share-based payment charges comprise 2016 LTIP charges of £491,000 (2019: £1,115,000) which are disclosed within administrative expenses. No options have been granted in the current year as part of the 2016 LTIP (2019: 18,092,000 options granted).

The share consolidation which completed on 29 May 2020 led to outstanding share options being reduced in the ratio of one option over a £1 ordinary share for 100 options over a 1 penny ordinary share. As a result, the number of outstanding 2016 LTIP share options has reduced by 32,769,000.

	2020		2019	
	Number of share options (thousands)	Weighted average exercise price (£)	Number of share options (thousands)	Weighted average exercise price (£)
2016 LTIP				
Outstanding at 1 January	**44,187**	**—**	37,981	—
Granted during the year	**—**	**—**	18,092	—
Share consolidation in the year	**(32,769)**	**—**	—	—
Exercised during the year	**(9,487)**	**—**	—	—
Lapsed during the year	**(1,602)**	**—**	(7,417)	—
Forfeited during the year	**—**	**—**	(4,469)	—
Outstanding at 31 December	**329**	**—**	44,187	—
Exercisable at 31 December	**14**	**—**	—	—

34. Share-based payment continued

Equity-settled share-based payments continued

Current share plans continued

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

The options outstanding at 31 December 2020 had a weighted average remaining contractual life of one year (2019: one year) in the 2016 LTIP.

Legacy share plans

Administrative expenses include no charge (2019: £nil) in relation to the MSP, the RSP or the 2005 ESOP Scheme. There were no options granted in either the current or prior year under any of the Group's legacy plans. No further awards will be made under these share plans.

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

	2020		2019	
	Number of share options (thousands)	Weighted average exercise price (£)	Number of share options (thousands)	Weighted average exercise price (£)
MSP				
Outstanding at 1 January	**2,798**	**0.01**	6,343	0.01
Share consolidation in the year	**(2,798)**	**0.01**	—	—
Share consolidation in the year	**28**	**1.00**	—	—
Exercised during the year	**—**	**—**	(3,545)	0.01
Outstanding at 31 December	**28**	**1.00**	2,798	0.01
Exercisable at 31 December	**28**	**1.00**	2,798	0.01
RSP				
Outstanding at 1 January	**38**	**—**	40	—
Share consolidation in the year*	**(33)**	**—**	—	—
Lapsed during the year	**(5)**	**—**	(2)	—
Outstanding at 31 December	**—**	**—**	38	—
Exercisable at 31 December	**—**	**—**	38	—
2005 ESOP Scheme				
Outstanding at 1 January	**—**	**—**	1,106	2.28
Lapsed during the year	**—**	**—**	(1,106)	2.28
Outstanding at 31 December	**—**	**—**	—	—
Exercisable at 31 December	**—**	**—**	—	—

All outstanding options granted under the MSP have vested and following the share consolidation have an exercise price of £1 (2019: 1 penny). The share consolidation reduced the number of outstanding MSP share options by 2,770,000 in total. The MSP 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. No further awards will be made under this plan. No options were exercised during the year (2019: 3,545,000).

All outstanding nil-cost options and conditional shares granted under the RSP have vested. The share consolidation reduced the number of outstanding RSP share options by 33,000. The RSP options will lapse if not exercised within ten years of grant and will lapse if option holders cease to be employed by the Group. No further awards can be made under this plan.

All outstanding 2005 ESOP scheme options expired in the prior year. No further awards can be made under this plan.

The options outstanding in the MSP, RSP and 2005 ESOP Scheme (prior year only) had no weighted average remaining contractual life in either the current or prior year.

34. Share-based payment continued

Realisation proceeds plan (RPP)

The RPP is a new share-based payment award scheme implemented during the current year. This scheme can be treated as cash- or equity-settled dependent upon the distributable proceeds arising from a realisation event. The RPP scheme has been issued to certain employees and vests once a realisation event occurs. At 31 December 2020, there has been no realisation event and the expectation of one occurring is uncertain, accordingly no fair value has been attributed to the awards at the balance sheet date and there are no charges recognised in relation to this scheme in the consolidated income statement.

Cash-settled share-based payments

In 2019, the Group granted certain employees with notional share options that require the Group to pay the intrinsic value of the notional share to the employee at the date of exercise. The notional share options have the same requirements and conditions as the 2016 LTIP. There have been no similar awards in 2020. The Group has recorded a total expense in relation to cash-settled awards in 2020 of £8,000 (2019: £105,000) which are disclosed within administrative expenses. The Group has recorded liabilities for its cash-settled awards of £129,000 (2019: £121,000) which are included in trade creditors and accruals in note 27.

35. Non-controlling interests

On 7 September 2018, the Group agreed to take a majority holding in Globiva, a company incorporated in India. The Group acquired 61% of the share capital of Globiva for a total cash consideration of £2,019,000 (Indian rupee 184,000,000). The acquisition was completed in three tranches and was accounted for as a step acquisition with the final tranche being paid in May 2019.

On 11 August 2020 the Group sold 10% of its holding in Globiva for consideration of £329,000 decreasing its shareholding in Globiva from 61% to 51%. As a result of the transaction, the Group recognised an increase in non-controlling interests of £188,000 along with an increase in equity attributable to owners of the parent of £118,000 and a profit on disposal of £23,000.

Summarised financial information and resultant non-controlling interest for Globiva is detailed below and disclosed before intercompany eliminations.

Summarised balance sheet

	2020 £'000	2019 £'000
Current assets	**2,657**	2,467
Current liabilities	**(1,635)**	(1,532)
Net current assets	**1,022**	935
Non-current assets	**4,819**	4,993
Non-current liabilities	**(3,955)**	(4,126)
Net assets	**1,886**	1,802
Accumulated net assets attributable to non-controlling interests at 49% (2019: 39%)	**1,105**	884

Summarised income statement

	2020 £'000	2019 £'000
Revenue	**8,650**	7,162
Profit before taxation	**266**	106
Taxation	**(67)**	82
Profit for the year	**199**	188
Other comprehensive expense	**(116)**	(95)
Total comprehensive income	**83**	93
Total comprehensive income attributable to non-controlling interests	**33**	25

36. Reconciliation of operating cash flows

	2020 £'000	2019 £'000
Loss for the year	**(1,597)**	(944)
Adjustments for:		
Depreciation and amortisation	**3,454**	2,983
Share-based payment expense	**499**	1,220
Impairment loss on goodwill	**880**	—
Impairment loss on intangible assets	**—**	322
Impairment loss on right-of-use assets	**41**	—
Share of loss of joint venture	**264**	320
Loss on disposal of property, plant and equipment	**30**	34
Loss on disposal of intangible assets	**54**	6
Lease concessions	**(86)**	—
Investment revenues	**(412)**	(508)
Finance costs	**415**	1,003
Other gains and losses	**1,294**	—
Income tax charge	**3,609**	2,076
Operating cash flows before movements in working capital	**8,445**	6,512
(Increase)/decrease in inventories	**(58)**	72
Decrease/(increase) in contract assets	**1,272**	(2,133)
Decrease/(increase) in receivables	**663**	(4,970)
Increase in insurance assets	**(4)**	(18)
(Decrease)/increase in payables	**(3,049)**	1,556
(Decrease)/increase in contract liabilities	**(953)**	2,245
Increase in insurance liabilities	**179**	139
Decrease in provisions	**(309)**	(553)
Cash from operations	**6,186**	2,850
Income taxes paid	**(3,024)**	(1,712)
Net cash from operating activities	**3,162**	1,138

Reconciliation of net funds

	Note	At 1 January 2020 £'000	Cash flow £'000	Foreign exchange and other non-cash movements £'000	At 31 December 2020 £'000
Net cash per cash flow statement	25	21,957	**301**	**(402)**	**21,856**
Investing activities:					
Net investment lease assets	18	156	**(117)**	**(39)**	**—**
Total movement from investing activities		156	**(117)**	**(39)**	**—**
Financing activities:					
Lease liabilities	18	(7,266)	**1,783**	**(1,155)**	**(6,638)**
Borrowings due outside of one year					
– Unamortised issue costs	29	50	**110**	**(62)**	**98**
Total movement from financing activities		(7,216)	**1,893**	**(1,217)**	**(6,540)**
Total net funds		14,897	**2,077**	**(1,658)**	**15,316**

37. Related party transactions

Transactions with associated parties

The Group has a balance receivable from its joint venture, KYND, in the amount of £150,000 (2019: £nil). The loan by the Group to KYND forms part of KYND's participation in the UK Government's 'Future Fund Scheme' and falls due for repayment on 26 June 2023.

Transactions with related parties

ORConsulting Limited (ORCL) is an organisation used by the Group for consulting services in relation to leadership coaching. Organisation Resource Limited (ORL), a company owned by Mark Hamlin, who is the Senior Independent Director in the Group, retains intellectual property in ORCL for which it is paid a licence fee. The fee paid to ORCL by the Group in 2020 was £63,000 plus VAT (2019: £100,000) and was payable under 30-day credit terms.

Mark Hamlin is the Chairman of Globiva. The fees for this role are paid to his consultancy company, ORL. The fee paid to ORL by the Group in 2020 was £73,000 (2019: £75,000) and was payable under 25-day credit terms.

Certain bank loans taken out by Group entities are secured against the assets of the Company. There were no amounts outstanding on these loans at 31 December in either the current or prior year. The £5,000,000 facility commitment remains available.

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:

	2020 £'000	2019 £'000
Short-term employee benefits	**2,442**	2,412
Post-employment benefits	**89**	87
Share-based payments	**423**	893
	2,954	3,392

Required disclosures regarding remuneration of the Directors are included in the Directors' Remuneration Report on pages 42 to 44.

38. Events after the balance sheet date

In the first quarter of 2021 the Group has undertaken a review of the operational effectiveness of its business units. The Group has supported a number of its operations in recent years as part of its plan to develop and organically grow the business. As the Group re-balances its resource allocation policy these operations have been assessed and restructuring activities initiated where it is considered large-scale operational efficiencies are available or there is not a clear pathway to profitable performance in the medium to long-term.

As a result, the Group has restructured its Blink, Spanish, Mexican and Malaysian businesses. This activity has resulted in costs associated with colleagues leaving the business, professional costs to support the activity and office closure costs. The total costs associated with the restructuring is expected to be in the range of £1.1 million to £1.4 million.

Glossary

Alternative performance measures

In reporting financial information, the Group presents alternative performance measures (APMs), which are not defined or specified under the requirements of IFRS.

The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business. The APMs are consistent with how the business performance is planned and reported within the internal management reporting to the Board and Audit Committee. Some of these measures are also used for the purpose of setting remuneration targets.

The key APMs that the Group uses include: EBITDA; adjusted EBITDA; and constant currency measures. Definitions of these are presented in the table below.

APM	Closest equivalent statutory measurement	Reconciling to statutory measures	Definition and purposes
EBITDA	Operating profit	Consolidated income statement and note 5	Operating profit before the impact of depreciation, amortisation and exceptional items. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported to and assessed by the Board and the Audit Committee.
Adjusted EBITDA	Operating profit	Page 29 and consolidated income statement	Operating profit before the impact of depreciation, amortisation, exceptional items and investments for business growth projects. The Group considers this to be an important alternative measure of the Group performance and is consistent with how the business performance is reported to and assessed by the Board and the Audit Committee.
Investments in business growth projects	None		A grouping of business growth projects presently in start-up phase that will contribute to the future growth and sustainability of the Group. The projects, their values and the timeframe for inclusion within the grouping are pre-defined by associated investment plans. The investments in business growth projects currently include the following losses:

Location	Segment	31 December 2020	31 December 2019
UK	Ongoing Operations	**£1.1 million**	£1.2 million
Blink	Ongoing Operations	**£1.3 million**	£1.2 million
Bangladesh	Ongoing Operations	**£0.2 million**	£0.2 million
Southeast Asia	Ongoing Operations	**£0.2 million**	£0.4 million
KYND	n/a	**£0.3 million**	£0.3 million

APM	Closest equivalent statutory measurement	Reconciling to statutory measures	Definition and purposes
Underlying loss per share	Earnings per share	Note 14	Profit after tax attributable to equity holders of the Company and before the impact of exceptional items (adjusted for tax), divided by the weighted average number of ordinary shares in issue during the financial year.
Adjusted effective tax rate	Effective tax rate	Page 26	Adjusted tax charge as a proportion of adjusted profit before tax. Adjustments are made to profit before tax for exceptional items including any associated adjustments to the tax charge for these items.
Constant currency basis	Revenue, operating profit	Page 94	The year-on-year change in revenue and EBITDA retranslating the prior year reported results at the exchange rates applied in the current year. These measures are presented as a means of eliminating the effects of exchange rate fluctuations on the year-on-year reported results.
Live policies/ customers	None	Not applicable	The total number of active policies that provide continuing cover or services to policyholders.
Annual renewal rate	None	Not applicable	The net amount of annual retail policies remaining on book after the scheduled renewal date, as a proportion of those available to renew.
Net funds	None	Not applicable	Total cash and cash equivalents; plus net investment lease assets; less borrowings; and less lease liabilities.
Cost/income ratio	None	Not applicable	Cost of sales (excluding commission) and administrative expenses (excluding depreciation, amortisation and exceptional items) as a proportion of total revenue.

Constant currency tables

	Ongoing Operations							
	India	EU Hub	Turkey	ROW	Restricted Operations	Central Functions	Share of joint venture losses	Total
2020 (£'000)								
Revenue	108,406	14,037	3,768	3,865	11,068	—	n/a	**141,144**
Revenue from Ongoing Operations	108,406	14,037	3,768	3,865	n/a	n/a	n/a	**130,076**
Revenue from Restricted Operations	n/a	n/a	n/a	n/a	11,068	n/a	n/a	**11,068**
EBITDA	7,644	3,237	882	(3,733)	3,806	(4,412)	(264)	**7,160**
2019 (£'000)								
Revenue	99,613	16,535*	4,377	3,350	14,487*	—	n/a	**138,362**
Revenue from Ongoing Operations	99,613	16,535*	4,377	3,350	n/a	n/a	n/a	**123,875**
Revenue from Restricted Operations	n/a	n/a	n/a	n/a	14,487*	n/a	n/a	**14,487**
EBITDA	5,559	3,404*	686	(4,074)	6,608*	(6,421)	(320)	**5,442**
Foreign exchange movements (£'000)								
Revenue	(5,980)	273	(909)	(136)	(7)	—	n/a	**(6,759)**
Revenue from Ongoing Operations	(5,980)	273	(909)	(136)	n/a	n/a	n/a	**(6,752)**
Revenue from Restricted Operations	n/a	n/a	n/a	n/a	(7)	n/a	n/a	**(7)**
EBITDA	(424)	36	(239)	1	(3)	—	n/a	**(629)**
2019 at 2020 average exchange rates (£'000)								
Revenue	93,633	16,808	3,468	3,214	14,480	—	n/a	**131,603**
Revenue from Ongoing Operations	93,633	16,808	3,468	3,214	n/a	n/a	n/a	**117,123**
Revenue from Restricted Operations	n/a	n/a	n/a	n/a	14,480	n/a	n/a	**14,480**
EBITDA	5,135	3,440	447	(4,073)	6,605	(6,421)	(320)	**4,813**
Year-on-year movement at constant exchange rates (%)								
Revenue	16%	(16)%	9%	20%	(24)%	n/a	n/a	**7%**
Revenue from Ongoing Operations	16%	(16)%	9%	20%	n/a	n/a	n/a	**11%**
Revenue from Restricted Operations	n/a	n/a	n/a	n/a	(24)%	n/a	n/a	**(24)%**
EBITDA	49%	(6)%	97%	8%	(42)%	31%	18%	**49%**

* Restated for a change in the composition of operating segments. See note 3 on page 61.

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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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