



CPP Group

**Where global strength
meets local knowledge**

Annual Report & Accounts 2017
Company registration number: 07151159

We create compelling products and services that provide peace of mind by reducing the stresses of everyday life. Our products are tailored to meet the needs of our business partners' customers, distribution channels and strategic objectives.

We've delivered revenue, sustainable customer lifetime value and brand enhancing propositions to our partners for over 30 years. We are here for millions of customers across 11 countries to prevent and protect them against the stresses of everyday life – from the protection of mobile phones, payment cards and household belongings to keeping travel plans moving and the monitoring of compromised personal data.

We are real people working to solve real challenges for our partners and their customers.

Together with our partners, we help consumers stay in control, embrace change and live life positively.

Read about partners and innovation
pages 18 to 21

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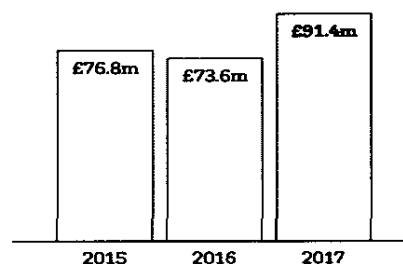
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Highlights

Financial highlights

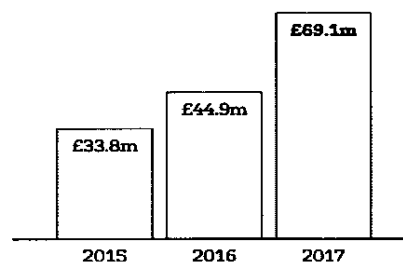
Revenue (continuing operations)

£91.4m +24%



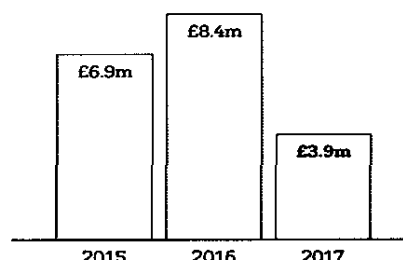
International revenue

£69.1m +54%



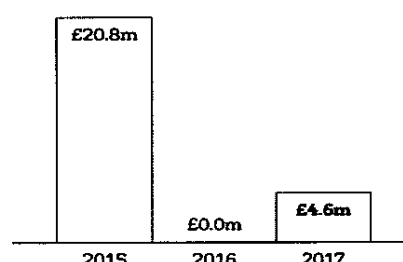
Underlying operating profit (continuing operations)

£3.9m -53%



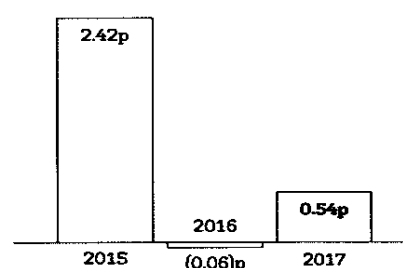
Reported profit for the year¹ (continuing & discontinued operations)

£4.6m



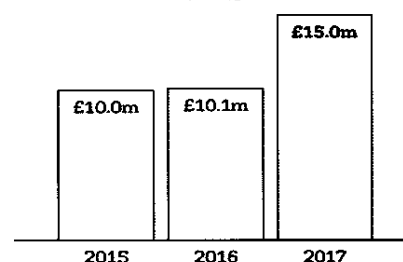
Basic earnings/(loss) per share (continuing operations)

0.54p



Net assets

£15.0m +48%



1. Reported profit for the year in 2015 included a one-time gain of £19.4 million from the compromise of the Commission Deferral Agreement.

A list and explanation of our Alternative Performance Measures (APMs) is provided in a glossary on page 90.

A transformational year

2017

Investing for growth

- Acquisition of Blink Innovation Limited (Blink), an innovative InsureTech company, to drive product and technology capability
- Accelerant graduation ceremony continues our investment in growing our people to grow our business

Q1

Q2

Commitment to our business partner heartland

- Refocused strategy back to 'business to business to consumer' (B2B2C) and introduced a change in organisational structure
- CPP India attends an awards ceremony with a major business partner in recognition of a seven year outstanding relationship
- Sale of the Head Office in York completed, realising £5.3 million cash, allowing for investment in innovation and organisational structure
- Homecare Insurance Limited (HIL) capital and asset restrictions lifted by the FCA and PRA - increasing the cash available to the Group to progress its strategic framework

Q3

5m

customers

Organisational transformation

- Decentralised organisational structure implemented - resulting in a streamlined corporate centre. Additional investment in overseas markets giving our countries more autonomy to meet local partner and consumer needs
- Creation of regional hub for Spain, Portugal and Italy
- Commenced a significant IT project in China which will enable us to improve how we operate to meet business partner requirements

Q4

Customer number breakthrough and further foundations for growth

- CPP India live customers passed 3 million
- Group live customers passed 5 million - increasing by 26% in the year
- Opened a new global Head Office in Leeds as we create a new culture for growth
- FCA permission granted for Blink Innovation (UK) Limited (Blink UK) - enabling us to sell regulated products in the UK market again

At a glance

2017 was a transformational year for CPP. We have seen significant growth in revenue and customer numbers alongside the implementation of a new brand and refocused business strategy.

5.5m

Live policies
(2016: 4.3m)

>550

Employees worldwide
(2016: >650)

74.8%

Annual renewal rates
(2016: 74.9%)

>3,000

Outsourced colleagues
(2016: >600)

The majority of growth in 2017 came from our operations in India and Turkey. Growth has been fuelled by the creation of deep mutually beneficial relationships with business partners through our traditional B2B2C model and strategic investment in our key markets. Our European businesses have maintained strong retention performance. As a result, we are well placed for growth in 2018.

Read about our APMs
on page 90

Our products and services

We work with partners to deliver bespoke innovative prevention, protection and assistance products and services.

We provide our business partners with end-to-end management of our services from white-labelled products with an excellent customer experience through to fulfilment, creating propositions tailored to their, and their customers', specific needs.

Our ethos of 'Power to Fix, Confidence to Connect and Freedom to Explore' helps us to deliver products and services that fit business partner and consumer needs now and in the future.

Power to fix

- Flight Disruption Insurance
- Legal Protection
- Auto Care
- Asset Care
- Mobile Phone Insurance

Confidence to connect

- Owl
- Identify Protection
- CiberCare

Freedom to explore

- Lasu
- Card Protection
- One Call SOS

Our strategy

We have taken a number of key decisions during 2017 that will support the delivery of a clear strategy that forms the platform for our growth in the coming years. Our strategic framework will ensure we continue to build strong partnerships, providing simple and compelling customer products and services, as well as generating stakeholder value. The principal pillars of our strategy are:

1	Focus on our partner relationships	Recognising that the B2B2C model provides the basis on which we can make the biggest difference, we will focus on deepening relationships with business partners to deliver compelling, innovative products and services to their	customers. This model has been the foundation for the Group for over 30 years and has provided the model for the growth in our Indian and Turkish markets in 2017.
2	Cultural and organisational change	We will operate a decentralised model that provides greater responsibility and accountability for local leaders and enables efficient delivery of services and products that meet local needs. Our country teams will be better able to drive key strategies at a local level, taking advantage of local	knowledge to design and deliver innovative products and services that meet local needs. Our new International Support Centre, based in Leeds, will provide support where needed.
3	Investment in growth markets	We will focus investment in key markets where the greatest growth and strategic opportunities exist. This strategy has so far supported the transformational growth of India and Turkey and we are committed to continuing this investment to fuel growth. We have made strategic investment in China with the development of a new IT platform and new office location.	Through Blink UK we will re-enter the UK market in 2018 with a revitalised distribution and product strategy which will be a significant milestone for the business.
4	Realignment of mature markets	The effective management of our historic UK renewal books will enable us to maximise customer retention within an effective cost base.	We have made operational improvements in southern Europe, bringing Italy and Portugal into a hub model led by Spain, and we have brought our Malaysian operation into our Indian hub.
5	International expansion	We will expand into new markets using established successful businesses as the leaders in a hub model.	The first of these market entries will be Bangladesh in mid-2018, managed through our successful Indian business hub.
6	Driving innovation	We will invest in product, technology and the customer experience. This will include strategic partnerships or acquisitions where it will enhance	the Group's existing capability. Technology will focus on platform, with Blink being used as an innovation hub.

Our partners

Our business partners are central to everything we do at CPP. Our strategy sees us continuing to invest across our all our markets to further deepen our existing business partner relationships and to develop new ones. We are increasing investment in our flexible product portfolio to ensure we continue to meet the evolving and bespoke needs of our business partners and their customers. Our investment will be in both in-house product development capabilities across the Group and investments and/or strategic partnerships with innovation businesses. At the same time we will continue to focus on the customer experience offering fully managed or white-labelled solutions.

We provide innovation, digital expertise, flexibility and local knowledge powered by global strength to create and deliver sustained value for our business partner relationships.

“Partnering with CPP India for the last three years has been a prolific journey. We have launched multiple products across customer segments, including FoneSafe and Asset Care and the partnership has grown significantly in that time and we expect our relationship to continue to be successful.

We are impressed by the product innovation that CPP has brought in our cross-sell business,

by seamlessly stitching together consumer preferences and business partner objectives with governance framework. One of the barometers of our mutual success is the size of the business achieved in a short duration of time, despite a healthy competitive environment. I congratulate them on building an excellent management team, which is robust in its business approach yet agile to the ever changing business environment.”

Baljepali Sreenivas
Business Head- Insurance Services & Distribution
Bajaj Finance Ltd

“We have successfully implemented a multi-channel, multi-product strategy in our partnership with CPP Turkey, which has been going on for nearly 10 years.

Behind this success, confidence and team work have been the key factors.

CPP is one of the most important parts of our Bancassurance Non-Life Insurance, with effective use of branch, direct sales and outbound telemarketing channels along with successful campaign management.”

DenizBank

Our business model

Delivering relevant products and services to meet our business partners and their customer needs around simplicity, control and convenience, whilst providing excellence in distribution and service quality.

1. Our relationships

Business partners

We listen to and understand our business partners' needs and work collaboratively to create value for them and their customers.

Innovation partners

We work with innovative and flexible product partners who can help us bring the business partner and customer vision to life.

Customers

In depth knowledge of local markets and investments in monitoring consumer and market trends help us to develop products and services that meet genuine customer needs.

People

Our leaders, colleagues and culture are our key differentiators in delivering value to our business partners and their customers.

Global reach with local expertise

Operating in countries around the world enables us to share best practice, technology and innovation, whilst our country leaders provide expertise to support partners and consumers in local markets.

2. How we generate revenue

Products and services

We create simple and compelling products and services. We do this through working with our business partners to tailor solutions to their customers, distribution channels and strategic objectives.

Distribution expertise

We bring specialist distribution expertise to help our business partners sell our products and services, providing our own high quality multi-channel distribution capability.

Customer experience and retention

We create and manage an excellent experience for our end customers, helping them to get the most from our products and services whilst driving sustainable renewal performance.

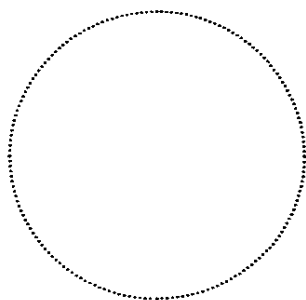
Deep partner relationships

We develop long-standing relationships with our business partners to widen our product and servicing solutions.

This is supported by

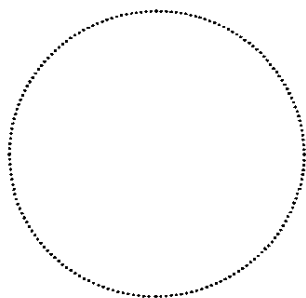
- Customer service excellence.
- Our culture and people.
- Thought leadership.
- Product and technology innovation.
- Flexible technology solutions.
- Oversight and governance from the centre.

3. What sets us apart



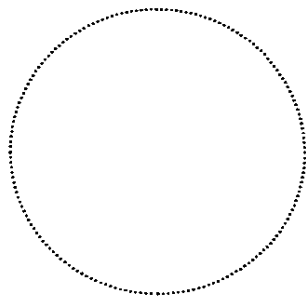
Flexible product offering

Innovative, flexible product design and servicing allowing for integrated, tailored solutions for our business partners that enhance their brand. We offer a wide range of implementation options ranging from application programming interface (API) access through to fully managed, white-label services so partners can choose the customer experience and operating model that works best for them.



Knowing our markets

We have a deep understanding of business partner and consumer needs in local markets and have the strength of our International Support Centre to share innovation and drive best practice.



Progressive culture

Our culture and people enable us to say 'yes' to our business partners and their customers. We do this through living our Values that were co-created by our people.

4. How we create value

For business partners:

- Ongoing revenue streams through products and services that are relevant and that customers want to keep.
- Delivering market leading, innovative products and services in ways customers want to engage with them.
- Enhance our partners' brands through service excellence.

For customers:

- Products and services that provide convenience and control which are relevant to customers' everyday lives. Our mission is to help people keep going with minimum hassle when things go wrong.
- We provide peace of mind so that customers know if something does go wrong we are there to help online or via the telephone.
- We provide a high quality of service which creates value and longevity of product holding.

For shareholders:

- Strong cash platform to deliver our growth strategy.
- Investment in future growth opportunities and regional expansion.
- Increased value through organisational focus and clear strategy.

For colleagues:

- Personal growth and development opportunities.
- Support and investment in values that enable learning and deliver change to help our partners and customers.
- Global experience and impact.

For innovation partners:

- Speed to market and distribution expertise.
- Access to financial services and insurance partners.
- Expertise in multiple markets around the world.

Chairman's statement

Sir Richard Lapthorne
Chairman

2017 has been an encouraging year for the Group. We have seen a return to overall revenue growth for the first time in five years, product innovation and international adaptation of new products is starting to take shape and a clear role has emerged for our reorganised central team, now located in Leeds. This has been accompanied by prudent management of our capital resources where we now have sufficient funds available to meet the up-front costs associated with our growth ambitions.

How we look at our business

The changing nature of the Group and how we manage its component parts has led to a reappraisal of how we measure our businesses. Historically, the Group viewed its businesses by country and region with no differentiation reflecting the different nature of the businesses within each country. In 2018 we will refine this to show three different sources of revenue and cost. These are the historic back book 'Restricted Operations' with activities in UK, Italy, Portugal, Malaysia and Hong Kong; the unconstrained operating businesses, 'Ongoing Operations', in each of these countries plus India, Turkey, Spain, Germany and Mexico; and a third category covering 'Investments' being made for new and/or expanded activities in the countries in our ongoing operations. This category currently includes China.

The back book businesses are run with the objective of effectively managing the customer experience and minimising the annual decline with low associated development costs. Equally, administrative costs will mirror any further declines in renewals.

The results from the operating businesses will be the key driver of value as they clearly show the true direction of travel in both revenue and margins and this assessment will be facilitated by investment costs being shown separately in the sector analysis. This treatment is necessary as we employ little fixed capital and consequently investments, which can be substantial, can have a negative impact on the income statement in the short term before any return is realised. Internally, all projects under this heading require full Board approval as if they were fixed capital investments.

The 2017 Accounts have been prepared using the prior system for sector analysis.

Progress to date

On completion of the major strategy review referred to in last year's report, resources have been shifted away from a highly centralised style to one of providing appropriate support to all our businesses whether in the rapidly developing markets in India, China and Turkey, the more mature markets such as Germany and southern Europe, or the newly established UK business. This more decentralised model gives greater responsibility and accountability to the operational businesses.

In December 2017, Blink UK received permission from the FCA to commence trading as a regulated insurance intermediary and it is through this entity that we will seek to reinvigorate our UK presence.

We continue to see the UK market as an important component of our global business.

The technical expertise of Blink is also being used to help us develop innovative product solutions such as the recent launch of Owl in Turkey. We will continue to seek product extensions to our portfolio and, as a further example, we were pleased recently to announce our investment in a minority shareholding in KYND Limited (KYND), a business set up to address cyber security monitoring and diagnostics for large and SME businesses that are facing a critical need to address the risks involved within their IT infrastructures.

Culture and values

Our business distributes products through long term partnership arrangements, B2B2C. Quality of approach and high 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 in the right roles. The Board has approved significant investment in developing an open, honest and authentic culture that extends consistently throughout the business.

The Board

I was pleased to welcome two new Directors to the Board during the year, Oliver Laird as Chief Financial Officer and Tim Elliott as Non-Executive Director and Audit Committee Chairman. Oliver and Tim have both already made a significant contribution to the Board and the Group.

Governance

The Board remains committed to maintaining high standards of governance, both at a corporate level and operationally throughout the business. Notwithstanding the increased autonomy of our individual businesses, the Board recognises the importance of retaining clear oversight and a 'flat' organisation structure, with Country CEOs reporting direct to the Group CEO, helps to ensure that this is the case. Other Board members also maintain regular contact with all parts of the business, with frequent visits to our overseas operations.

Performance

The Group's revenue growth in the year has been largely driven by India, where we are beginning to see the fruits of strategies and investments implemented over the last 12 to 18 months. Although the Group profit before tax shows an increase compared to 2016, underlying operating profit is lower. This is a result of the shift in revenue mix from high margin back book products in the UK and Spain, to primarily India where the strong trading performance comes from products which produce lower margins.

The planned change to our segmental reporting structure will, we believe, provide our stakeholders with a much clearer analysis of the Group's progress over time.

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

Looking ahead

Having already implemented a good proportion of the plans we made in 2016, the business is well placed to continue its growth in 2018 and beyond. Our simplified operating structure enables us to operate more efficiently with a lower cost base and the increase in available cash following the release of some of our regulatory restrictions and the sale of our York premises gives us the ability to seek expansion through organic product innovation, product acquisitions and new and/or expanded partnerships.

As well as continued growth in India, we see potential for substantial growth in China, and, with that in mind, have made a significant investment in standalone IT and digital capability and in expanding our team there.

During the middle part of 2018, we will incorporate CPP Bangladesh, a market which we have not previously explored and where we see great potential for our products, combined with our regional approach to marketing. Initially, significant support will be provided through the extension of our successful Indian business model to this market.

Once again, on behalf of the Board I would like to thank all our colleagues for their continued commitment, hard work and support during the year and look forward to working with you all as we continue to rebuild our business.

Sir Richard Lapthorne

Chairman

14 March 2018

Read about our corporate governance pages 34 to 46

Chief Executive Officer's statement

Jason Walsh
Chief Executive Officer

2017 has been a year of significant change for CPP, a year in which we have made a number of strategically important decisions and achieved some important milestones. It is this progress that will provide the necessary focused direction, momentum and capability to take the business forward and capitalise on the significant opportunities that exist.

Our progress

We are pleased with the progress that has been made against the strategic priorities that were identified during 2016.

We have delivered year-on-year revenue growth for the first time since 2011 and have significantly increased our global customer base. This growth has primarily been achieved through the progress made in our Indian and Turkish operations. Both markets successfully demonstrate the benefits of our strategy to strengthen business partner relationships and develop bespoke product offerings that meet local consumer needs.

Innovation has continued at pace. In March 2017, we acquired Blink, an innovative product and systems developer based in Ireland. Since acquisition, we have continued to invest and grow the Blink business which is already delivering functionality for providing innovative product solutions into local market places. In time each market will have the capability to build new products locally for use on a new platform. The first product of this type was launched in late 2017.

Additionally, in December 2017, Blink UK received permission from the FCA to commence trading as a regulated insurance intermediary. It is through this entity that we will seek to reinvigorate our UK presence. We continue to see the UK market as an important component of our global business.

Cost control remains an integral part of the strategy. It is important that our cost base remains appropriate and is targeted in the right areas to enable additional investment into our markets to promote growth. We are always mindful of the importance of cost control as an integral part of our behaviours. In 2017 we carried out a

fundamental redesign of our organisational structure, which as a result, will be more responsive to country needs and more effective in delivering the Group's strategy. The new structure will also provide a lowering of overall cost.

However, there remains much work to do to realise the potential CPP has in a market place that is increasingly demanding the services and solutions that we provide. We continue to develop our presence as an international product innovation business. Our focus is on building strong trusted relationships with our network of business partners around the world and following some of the strategically important decisions we have made in 2017, we are in a stronger position to grow the business.

Organisational change

To promote a simplified business model and operating structure, we redesigned our organisational structure during 2017. A decentralised model has been implemented which places greater operational responsibility on our country operations. This change allows our experts in country, who best understand local demands and opportunities, to lead in the key decisions that affect their business and customers. The change has also led to less reliance on a large UK-based Group function, with the focus now on an efficient International Support Centre that will provide the appropriate level of support, oversight and governance across the Group. The reduction in the size of the Group functions and the creation of an International Support Centre will lead to cost efficiencies, the full benefit of which will be seen from 2018 onwards.

Read about partners
and innovation
pages 18 to 21

"We have delivered year-on-year revenue growth for the first time since 2011 and have significantly increased our global customer base."

Chief Executive Officer's statement continued

“Our colleagues are fundamental to the business's growth strategy. A strong motivated team is crucial to providing great products and services to our partners and their customers.”

74.8%
annual renewal rate

>550
employees
worldwide

5.5m
live policies
worldwide

Read about
our people
pages 16 and 17

Read about
our APMs
page 90

Our performance

2017 has been a good year with revenue growth of 24% over 2016. Revenue from our international operations grew by 54%, further reducing the historic dependency the business had on the restricted UK operation. Customer numbers have also increased significantly to 5.5 million which represents growth of 26%. 2017 has been an excellent year for our Indian business, where new bespoke products and strong business partner relationships have contributed to revenue increasing by 164%. Turkey has also grown in the year, again through developing strong and trusted relationships with existing business partners and enhancing channel capability. Our restricted operations and certain other markets, whilst in decline, continue to contribute strong renewal rates that are higher than the Group rate of 74.8% (2016: 74.9%).

Group revenue has increased by 24% to £91.4 million (2016: £73.6 million). The growth in Indian revenue has more than compensated for the continued natural reduction in revenue from the renewal books in our restricted markets. Profit after tax of £4.6 million (2016: £0.5 million loss) has increased as a result of the reduction in one-off costs to the business. However, underlying operating profit has declined to £3.9 million (2016: £8.4 million) which reflects the shift in revenue mix from historically higher margins in our restricted operations to growth markets where margins on the products we sell in these markets are at a lower level. During 2018 we anticipate revenue growth led by sales volumes in our international markets which, along with ongoing cost control, will contribute to improvements in underlying operating profit (on a constant GAAP basis).

Investment platform

We made good progress in freeing up capital for the Group to reinvest into our markets or to enhance our capabilities through partnerships or acquisitions.

In the UK, as recognition that the historic issues the business faced are now in the past, the FCA agreed to lift the capital and asset restrictions placed on HIL and CPPL as part of the Voluntary Variation of Permission (VVOs). In the case of HIL, this has enabled the Group to develop a strategy which will see the release of further capital in the short to medium term. With most of the back book business ring-fenced within CPPL, new business opportunities in the UK will be focused through Blink UK.

The Group has also completed the sale and leaseback of its former Head Office premises in York. The sale proceeds were £5.3 million. As part of the change to ensure that the Group functions are focused on supporting the entire Group, the Global Head Office was renamed the International Support Centre and relocated to Leeds in November 2017.

The available capital created through these milestones will be used to support growth in our rapidly expanding international markets. Enhanced investment plans have already been implemented in the key markets of India, Turkey and China. We also plan to re-enter the UK market during 2018. In addition CPP will look to acquire or partner with other innovation technology businesses to expand our product portfolio or to capitalise on distribution networks. Blink and KYND are examples of this.

International expansion

The Group's focus is one of international growth which includes increased investment into existing markets to develop infrastructure, products and marketing channels. In addition we will also expand into new markets where we believe we can harness distribution channels to develop a strong regional network. We are building regional hubs that provide an efficient operating model and will also allow us to expand into adjacent and similar markets from a position of strength. We have already developed a regional hub for Spain, Italy and Portugal led from Madrid and will use India as a hub leader for Malaysia and the planned launch into Bangladesh in the middle part of 2018.

Customer

Our business partners' customers are important to us. The work we undertake to improve our products and distribution channels is all designed with their customers as a central priority. We are focused on providing relevant and engaging services in channels that make it simple for customers to engage with our products. We will invest in the customer experience in 2018 to deliver an even better customer journey through increasingly digitally led channels.

People

Our colleagues are fundamental to the business growth strategy. A strong motivated team is crucial to providing great products and services to our partners and their customers. We are committed to colleague development and promoting good behaviours. These will continue to be an area of key focus in 2018 with a number of programmes in place to further embed this within the organisation.

Outlook

The transformation journey we have been on in 2017 has created the right environment for further growth. We have simplified our operating structure, been decisive with organisational change and clearly defined our strategy.

The Group is focused on its strategic priorities, which support its existing revenue, new revenue generation and growth ambitions. Good progress has been made in 2017. The Group anticipates growing revenues in 2018 through our international markets leading to improvements in underlying operating performance (on a constant GAAP basis). Our simplified operating structure, lower cost base and available cash resources provides the capability to expand through organic product innovation, product acquisitions or new partnerships. We have cash available that we can use to invest in the many exciting opportunities we have already identified, including further geographic expansion as well as additional product investments and acquisitions.

We are pleased in the direction the business is heading and the progress it is making.

Jason Walsh

Chief Executive Officer
14 March 2018

Our people

Our people continue to be the heart of everything we do. It's important to us that we continue to create, support and reinforce a compelling and authentic culture that our people want to be part of.

Justine Shaw
People & Culture Director

A compelling culture for a global community

We are on a journey to establish a culture that brings out the best from everyone and are making a significant investment in our colleagues because we believe that to grow our business we must grow our people.

Curiosity

We have fundamentally reshaped the organisation to ensure we have the right people in the right place in the right roles, harnessing local knowledge of local markets to explore the many opportunities that exist to reach our ambitions. We have established a new operating model with our Country CEOs that focuses on what our customers in countries need to drive growth.

Working together

Our Country CEOs are critical to our success. We have invested in them and provided coaching in the psychology of cultural transformation to enable them to build a consistent CPP culture across our countries. This is all about role modelling authentic leadership and creating the conditions for our people to grow, which includes going out of our way to be open, honest and empowering because we feel this generates trust, belief and confidence in our people to deliver our plans.

Being brave

Promoting flexible working and addressing any gaps in gender-related pay are becoming increasingly important to us because we want to create a fair culture that is socially responsible. We have evolved working practices to promote flexible working that suits lifestyles regardless of gender, level and role. We will continue to focus on this during 2018 because we believe it is the right thing to attract talent, enable existing talent to achieve their potential and ensure that colleagues are fairly rewarded for the work they do, regardless of their gender. A full gender pay gap report will be published on our website in April 2018.

Keeping things simple

We continue to invest in our colleagues with team-based coaching and a leadership development plan, which augments our Accelerant programme which is in its third year.

Consider it done

This programme is about developing our change agents to accelerate business performance and cultural transformation. Our Accelerants are high impact, high performing professionals from within the business who choose to opt-in and work together with sponsors and coaches to deliver significant change aligned to our ambitions. Following the introduction of this programme in 2016, we now have a strong alumni of graduated Accelerants that will join forces during 2018 to continue their role of delivering change and success to drive growth.

Just as our business is evolving, we have also evolved our co-created Values to ensure they reflect behaviours that will drive success. Our people told us they want a culture where we value five things – curiosity, working together, being brave, keeping things simple and when someone says they'll do something you can 'consider it done'. How our people demonstrate these are discussed in action-orientated great performance conversations and we take pride in acknowledging those who live our Values through meaningful reward and recognition.

The progress we have made on our transformation journey is tangibly demonstrated through the investment in our vibrant new work space that is home to our International Support Centre. We have created the right conditions for growth that embraces the spirit of our culture through the use of nature and design to provide an innovative, collaborative and inspirational environment that can be reflected in all of our countries to bring out the best in our people.

We believe this relentless focus on our people agenda and cultural transformation has been a significant factor in attracting and retaining colleagues who are powering our successes.

Our aim for 2018 is to continue this relentless focus as we support, develop, recognise and reward those who are making a significant contribution to the delivery of our plans.

Accelerant

Kapil Bansal,
Senior Accounts Director, CPP India

I felt deeply valued to be part of this programme and a great team of Accelerants. What we learnt about culture and behaviours was invaluable, especially relating to our core Values of being collaborative, adopting a courageous approach at work plus building trust with colleagues and business partners.

Role modelling these practices and behaviours has certainly helped me build strong team support, deepen business partner engagements and ultimately improve business performance in CPP India, thereby creating commercial impact for the Group.

Flexible working

Eleanor Sykes,
Global Head of Internal Audit

I joined the company on a full time basis in November 2016 before changing contract to a part time basis. I wanted to retain my role as an active member of the senior leadership team based at the International Support Centre and continue to make a full contribution supporting our growth agenda, whilst balancing the needs of a young family. Reducing my hours to four days per week has provided me with the right balance where I'm able to continue developing in my role whilst being able to devote more time to being at home.

Luisa Cifuentes,
Commercial Change Director

My journey at CPP has been and continues to be exciting and challenging. Living in the Netherlands where we do not have an office, I consider myself privileged to have been given the opportunity to perform a variety of international roles during my 20 years with the organisation. All of these responsibilities have been thought provoking and stimulating, which have underpinned my personal and professional growth.

For the last 12 years I have been home based, however through flexible working my career progression has continued to flourish.

Partners and innovation

We have made significant investment in modernising the business and the underlying technology in 2017. This included investments in innovative products, customer experience and brand.

Sid Mouncey
Group Product & Marketing Director

Our partners

Strong, valued partnerships are the cornerstone of our success. We are proud that we have been able to further deepen our relationships with key partners across our international business in 2017. Our model is based upon understanding our business partners' needs and those of their customers and then developing relevant products and services which meet those needs.

We provide services on behalf of our business partners that help their customers, whilst driving loyalty and delivering incremental value. Our business partners can select from a wide portfolio of services to create a proposition tailored to their specific needs. Aligned to this is a wide range of implementation options ranging from API access through to fully managed white-label services, which enable partners to choose the customer experience and operating model that works best for them.

"We have partnered with CPP India for the last seven years to offer our customers enhanced security benefits on their cards. CPP's product augments the value proposition we bring to our customers. We have had a successful association with CPP and appreciate the support of the local leadership team. We look forward to growing the partnership in our endeavour to offer market leading secure payment solutions to our customers."

Mr Hardayal Prasad
CEO and Managing Director, SBI Card

Our brand

As part of the transformation CPP has undertaken in 2017 we launched a new brand identity across our international business. This included revamping CPP's brand and positioning in market, refreshing our visual identity and significantly improving our online estate to reflect a new digitally enabled business. This rebrand is in the process of being carried across to all countries and customer touch points, further supporting our ongoing transformation programme.

The 2018 Allianz Global Risk Barometer ranked cyber as the second most important business risk facing any organisation. It is estimated that almost 3 million British companies were hit by some sort of cyber-attack in the last 12 months, with costs totalling over £29 billion.

A strong existing portfolio

Our core products including Card Protection, Identity Protection and Mobile Phone Insurance continue to hold significant customer value across the countries we operate within. These products help to assist customers in their day-to-day online and mobile lives. This is evidenced through strong renewal performance and customer satisfaction levels seen across Europe and strong new business growth in key markets such as India and Turkey. We have further developed our Asset Care product in India which has grown significantly in 2017. This product has benefited from an improved user experience and wider distribution through a strategic partner.

We have continued to invest in our core products in 2017 to ensure they remain relevant for customers including the addition of protection for mobile wallets and card-not-present transactions in India to meet changing consumer needs.

In 2018 we will develop our suite of cyber and identity products and services, including Owl, which help consumers and businesses monitor and protect their online world. In addition we will enhance our comprehensive range of products to help customers when they are on the move, including Blink flight cancellation and delay insurance and Lasu which prevents the loss of a wallet whilst giving consumers control to cancel their cards immediately.

In 2018 we plan additional investment in these product lines to continue improving the relevance of our offering whilst enhancing the customer experience to drive value to partners and their end customers. This year will see a transformation in our online sales and servicing capability, further fuelling our growth.

Investment for growth

In March 2017 we acquired Blink and its subsidiary Blink UK to help spearhead a new era of innovation in product and technology within the organisation. Blink UK were part of the first cohort in the FCA Innovate 'sandbox' programme in the UK with their ground-breaking data driven flight cancellation insurance product.

The acquisition of Blink was the first of what will be a number of investments and acquisitions that will be made by the Group as we look to bring in new innovative product and technology into the business to leverage our distribution network across the Group, whilst staying ahead of market trends to meet partner needs.

In March 2018 we also made a strategic investment in KYND, a London-based cyber risk start-up for the SME and Cyber insurance sectors, to add further to our innovative product catalogue. This investment opens up a new fast-growing market for CPP internationally and will be one of the core propositions supporting our relaunch into the UK market.

We have also been busy investing and shaping a new proposition development platform to allow new products and services to be delivered into market at pace.

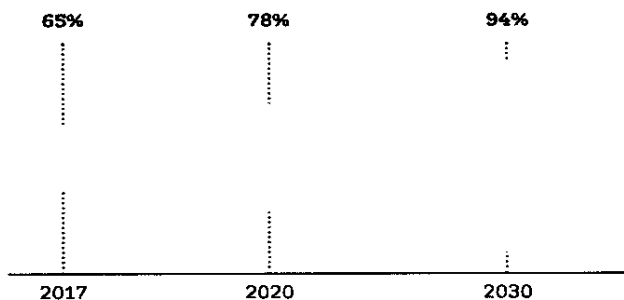
Partners and innovation continued

Key trends shaping our product development

Mobile first

Increased smartphone ownership is changing the way consumers live, work, shop and play providing greater convenience, simplicity and knowledge. This will also push a 'mobile first' centricity for consumers and the market place. We will focus our proposition design and customer experience with a mobile first mentality to ensure that our services are tailored to adapt to the changing needs of the consumer and business partner.

Household smartphone ownership



Source: Possession of Smart Phone: Digital Consumers (2018 edition), Euromonitor International from national statistics

Mobile living

Consumers increasingly live life on the go with convenience and control being a key priority. Our products and services look to add value to consumer lives by reducing stress and providing them with convenience and time to focus on those things that really matter in life.

“According to Euromonitor International’s Global Consumer Trends survey 2017, nearly 70% of global consumers are looking for ways to simplify their lives.”

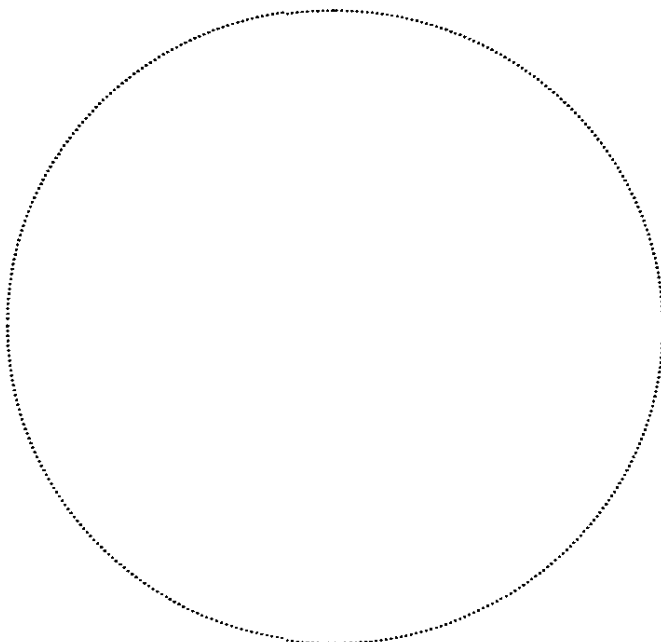
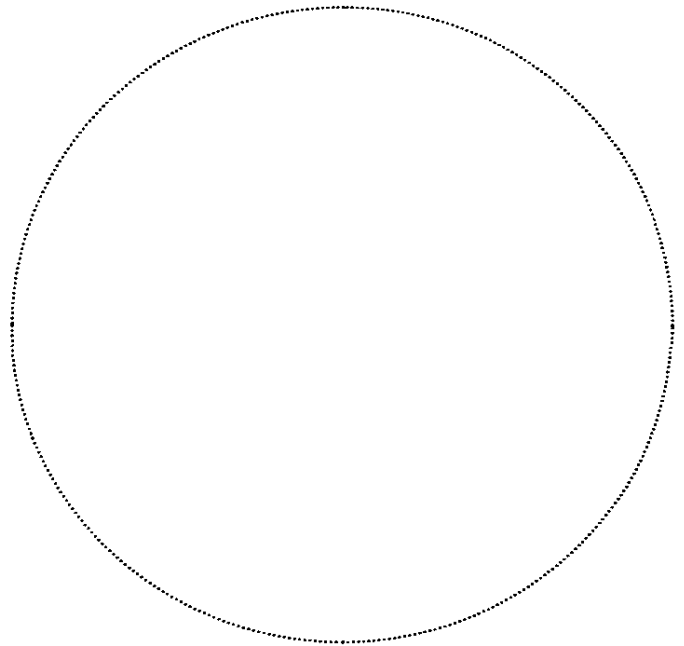
These trends and the specific needs of our business partners are ever present in determining how we create our product and service propositions. This means we can continue to protect customers in an ever-growing online world, where they increasingly manage their lives on the go. This is delivered through a combination of in-house product development and strategic partnerships with innovation start-ups.

Connectivity and cyber

Connectivity is the new normal and the pervasive nature of the internet has transformed how consumers live their lives with more products and services being accessed and serviced online. This has resulted in large amounts of information being accessible like never before, making back-end databases more attractive to hackers. Whilst consumers want to continue with the benefits driven from this connectivity there is concern over the privacy and security implications associated with ever-growing connectivity.

Gartner, Inc. forecasts that 8.4 billion connected things will be in use worldwide in 2017, up 31% from 2016, and will reach 20.4 billion by 2020.

Source: Gartner 2017
<https://www.gartner.com/newsroom/id/3598917>



On-demand consumers

Consumers increasingly demand value – this encompasses experience, quality, reliability, trust, convenience and price; challenging brands to stay relevant. We work with innovative new partners to deliver products that provide convenience and control, underlined with flexible business models to suit the needs of their customers.

Operational review

2017 has been another year of significant growth in our Asia Pacific region, which has helped to reduce the dependency the Group previously had on the restricted business in the UK and Ireland region and parts of our Europe and Latin America region.

Regional trends 2017

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

↑ Increase — Level ↓ Decrease

Asia Pacific

Financial performance

Revenue has increased by 133% on a constant currency basis compared to the same period in 2016, to £42.2 million (2016: £17.3 million). The underlying operating profit has improved to £1.8 million (2016: £1.6 million).

Review

The main trading operations in our Asia Pacific region are in India, China, Malaysia and Hong Kong. These markets account for 46% of the Group's full year revenue and for the first time represent the greatest revenue share in the Group, reflecting the continued growth experienced in this region. This growth has again been led by India which has had a record year, growing revenues by 152% on a constant currency basis and increasing profitability. India is the largest revenue generating market in the Group. The growth in India has been realised through the expansion of sales in Asset Care and FoneSafe with a leading non-banking financial company that started in late 2016, along with development and strengthening of other business partner relationships. We continue to invest in India to build upon the progress we have made and improve further our channel delivery, including digital. Focus and initiatives will continue on improving customer retention and profit margins.

China has continued to progress, with a number of new business partner contracts signed in 2017 that we expect to deliver in 2018. We have invested in China during 2017 with a major IT infrastructure project in progress that will improve our operating platform and digital capability enabling us to provide local solutions efficiently and independently. This project is due to complete in late Q2 2018. In addition, we have improved the capability of the local management team, with the senior headcount increased to help drive the business forward in 2018 and capitalise on the significant opportunities that exist in the Chinese marketplace.

Renewal performance in Malaysia and Hong Kong has continued to perform in line with expectations. We continue to assess our commercial viability in Hong Kong.

Europe and Latin America

Financial performance

Revenue has decreased by 5% on a constant currency basis compared to the same period in 2016 to £26.9 million (2016: £27.6 million). The underlying operating profit has decreased to £4.5 million (2016: £5.2 million).

Review

CPP's Europe and Latin America region includes Spain, Italy, Portugal, Germany, Turkey and Mexico. Europe and Latin America represents 29% of the Group's full year revenue.

Turkey has had a very strong year, growing revenues, profit and customer numbers. This growth has been achieved through building strong trusted relationships with business partners and developing profitable channel capability. Turkey has developed a sustainable model that is based on a multi-product, multi-partner and multi-channel approach. Additionally, in late 2017 we launched Owl in Turkey which has started well and we expect to continue to expand in 2018.

The core European markets delivered solid renewal performance, operational efficiencies and business partner engagement throughout 2017. These continue to be difficult markets in which to make quick progress and we continue to rely on their large, but declining renewal books. However, there has been positive progress during 2017 across these markets which we expect to generate new campaign launches and additional revenue.

We have implemented a change in operational structure in southern Europe whereby Spain, Italy and Portugal will operate as a regional hub led from Madrid. This has also enabled a reinvigoration of the sales environment in these markets as well as operational efficiencies. In Germany we have increased our growth capability through the appointment of senior business development and marketing roles.

Mexico has had a difficult year and although revenue has increased marginally this has not been through the new revenue growth we anticipated. Changes are being made to reinvigorate Mexico which remains a market in which we see good potential.

UK and Ireland

Financial performance

Revenue for 2017 decreased by 22% to £22.3 million (2016: £28.8 million). Underlying operating loss is £2.4 million (2016: £1.5 million profit).

Review

The UK and Ireland region accounted for 24% of the Group's full year revenue in 2017. New retail business performance in the UK and Ireland continues to be constrained by restrictions relating to the ongoing VVOP. As a result the UK services a renewal book where renewal rates have been strong and encouraging. Good governance and excellent customer service remains a priority to our legacy book.

The acquisition of Blink in March 2017 was an important step that has improved our IT development capability. Blink is in start-up phase and we have invested in developing it as an IT hub since acquisition. Blink is already demonstrating the enhanced capability it can bring to our delivery in market.

In addition, we have received FCA permission to commence trading as a regulated insurance intermediary through Blink UK and it is through this entity that we will seek to reinvigorate our UK presence.

Financial review

Oliver Laird
Chief Financial Officer

Our products and services help people protect and safeguard the things that are important to them in their everyday lives. High demand for these products in our principal overseas territories has seen the Group deliver robust growth in revenue and statutory operating profit in the latest chapter of its development.

Continuing operations	2017 £m	2016 £m
Revenue	91.4	73.6
Gross profit	41.8	45.9
Administrative expenses ¹	(37.9)	(37.5)
Underlying operating profit	3.9	8.4
Exceptional items	(0.1)	(9.2)
MSP charges	(0.3)	(1.0)
Operating profit/(loss)	3.5	(1.8)
Net finance costs	(0.1)	(0.1)
Profit/(loss) before tax	3.4	(1.9)
Basic earnings/(loss) per share (pence)	0.54	(0.06)
Net assets	15.0	10.1
Net funds	31.5	26.9

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

The energy with which our teams have pursued our customer-centric strategic aims has propelled a rise in revenue for the first time since 2011. The 24% increase in revenue has been underpinned by our rapidly expanding operations in India. Against a challenging macroeconomic environment, we undertook a number of key strategic changes during 2017 which will provide the resources to invest and position the business for continued success in the future.

The profile of the business has changed significantly, with reliance on our traditional European markets continuing to reduce. A number of our key strategic growth markets have expanded rapidly during 2017. The Asia Pacific region has seen record levels of revenue growth of 144% and now represents the largest share of the Group's revenue at 46% (2016: 23%). We are also encouraged by the development of some of our other markets during the year which has led to 2017 being symbolic in the Group's transformation to a truly global organisation where for the first time the UK does not represent the largest share of the Group revenue.

The Group's administrative expenses (excluding exceptional items and MSP charges) have increased marginally in 2017 to £37.9 million (2016: £37.5 million). This reflects the impacts of foreign exchange, investments in markets and one-time costs associated with implementing the redesign of the organisational structure. The cost savings from the reduction in the size of the International Support Centre are expected to be realised in future periods and will be approximately £2 million annualised.

Looking ahead, the progress and decisions taken in 2017 will benefit the longer term prosperity of the Group. However, following the shift in the Group's product mix and expansion in our Asian markets, gross profit margins are expected to remain lower than previous years in the medium term. This is due to lower profit margins in these products and countries compared to the high margin back books in our restricted operations. Plans are in place to improve the margin levels in these developing markets through a focus on renewal rates and the extension of new business into digitised products. However, current margins are expected to be largely representative of the business in the future, with incremental improvements in profitability relying upon cost control, higher sales volumes and other management actions.

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Segmental review

As our business continues to develop and grow, it is important that we manage and analyse the business in line with the strategy that we have adopted. As a result it is our intention that during 2018 we will change the way we report our financial performance, moving away from the historic regional analysis to reporting segments that reflect the way resources are now allocated by management. Our updated segmental categories will comprise; Restricted Operations, Ongoing Operations and Investments for Growth.

The Group has however continued to monitor financial performance through the year on the regional basis (see note 5 to the consolidated financial statements) and analysis of the performance drivers are therefore described on that basis in this report.

Result and profitability

Group revenue from continuing operations has increased by 24% to £91.4 million (2016: £73.6 million). This increase reflects significant growth in our Indian operation where customer numbers have increased by 1.2 million partly offset by the continued reduction in the historic UK renewal book which is in managed decline. International revenue has grown by 54% in the year. On a regional basis revenue has grown in Asia Pacific by 144% (133% on a constant currency basis). Revenue has reduced marginally in Europe and Latin America by 3% (5% on a constant currency basis) due to new business activity not yet replacing the reduction in the historic renewal books. The UK and Ireland region has declined by 22%. The growth in international revenue has increased the impact foreign exchange may have on our reported revenue with a weaker sterling continuing to benefit the Group in 2017.

Underlying operating profit from continuing operations for the year is £3.9 million (2016: £8.4 million) which is £4.5 million lower than 2016. This expected reduction in underlying operating profit reflects the shift in the revenue mix from our higher margin, renewal book focused European markets to growth markets, such as India. The percentage margins on the products we sell in our growth markets are at a lower level than those earned from the historically high margins earned from the restricted UK renewal books. In addition, cost control remains a priority for the Group. However 2017 has seen significant reinvestment in our markets along with additional costs associated with growing our Blink-led IT development hub and the operational restructure. This expenditure supports the Group's strategy and puts the business in a stronger position for the future.

Exceptional items in the year are much reduced and total £0.1 million (2016: £9.2 million) comprising impairment of the remaining IT core platform costs of £0.9 million; a credit of £0.5 million relating to impairment reversal on the freehold land and property and a further credit of £0.3 million relating to customer redress. The reduction in exceptional charges in the year mainly relates to costs associated with aborting the SSP-led IT platform in 2016.

Share-based payment charges relating to the MSP were £0.3 million (2016: £1.0 million). Due to the one-off nature of this plan, MSP costs are presented separately from underlying operating results with the final impact being in 2018.

The exceptional items and MSP charges contribute to a reported operating profit of £3.5 million (2016: £1.8 million loss).

Net interest and finance costs of £0.1 million (2016: £0.1 million) reflect the Group's relatively low borrowing levels in the year.

As a result, the reported profit before tax from continuing operations was £3.4 million (2016: £1.9 million loss) and the reported profit after tax from continuing operations was £4.6 million (2016: £0.5 million loss).

Financial review continued

Result and profitability continued

There are no discontinued operations in the year. The 2016 profit from discontinued operations of £0.6 million related to the final benefits from the closure of the Airport Angel business.

Basic earnings per share from continuing operations are 0.54 pence compared to a loss of 0.06 pence in 2016.

There has been a further weakening in sterling during the year against our main trading currencies the euro and Indian rupee. The impact on the Group has been to improve reported revenue and profits from our international operations. Revenue in the year improved by 20% on a constant currency basis, compared to 24% at actual exchange rates. Underlying operating profit declined by 57% on a constant currency basis compared to 53% at actual exchange rates.

The expected impact of Brexit on the Group is currently being assessed. With the exception of exchange rate fluctuations, the Group does not consider current operations will be materially impacted as business activities are mainly serviced within the country of operation.

Tax

In 2017 there was a tax credit on continuing operations of £1.2 million (2016: £1.3 million). The credit includes £1.6 million (2016: £0.3 million charge) arising in CPPL after a credit of £0.8 million to the prior year and release of certain tax contingencies of £1.0 million. Profits arising in UK entities are fully covered by group relief from losses arising in UK entities. Charges on overseas profits arising in Spain, Turkey and Italy are effectively offset by the UK credits arising in the year. Due to the various movements noted, the effective tax rate for the year is not considered to be a representative measure.

Cash flow and net funds

The Group's cash balances have increased in the year by £3.2 million (2016: £11.6 million decrease) following the sale of the Head Office in York. This positive cash impact has been partly offset by the acquisition and subsequent funding of Blink. Cash from operations amounted to £1.9 million (2016: £6.0 million used in operations) and results primarily from positive operating cash flows across the business.

The net funds position has improved in the year to £31.5 million (2016: £26.9 million) which reflects the positive cash flows in the year.

The Group currently has no drawn borrowings.

The net funds figure includes cash balances of £19.0 million held in the UK's regulated entities, CPPL and HIL which, following the lifting of the VVOP asset restrictions, has improved the availability of cash resources for investment in the wider Group.

At 31 December 2016, £18.7 million was held in these regulated entities with any distribution requiring PRA or FCA approval. At 31 December 2017 the only remaining restriction on our cash balances relate to HIL's regulatory capital requirements. However, other assets are in excess of our regulatory requirements and therefore no cash is required to satisfy the position. As a result, our unrestricted cash position of £31.5 million is £22.0 million higher than 31 December 2016. The lifting of the capital restrictions represents significant progress in allowing the Group the flexibility to invest resources around the Group to capitalise on the opportunities that exist.

Dividend

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

Balance sheet and financing

At 31 December 2017 the Group had net assets of £15.0 million which is an increase of £4.9 million from the 2016 net asset position of £10.1 million following the Group's profitable trading performance in the year. The balance sheet continues to strengthen with cash balances increasing and residual redress obligations complete. The Group has not drawn against its borrowing facility at the year end.

Subsequent to the balance sheet date the Group has extended its borrowing arrangements, in the form of a committed £5.0 million revolving credit facility (RCF), for a period of three years to February 2021. The RCF has been extended on improved terms with the margin decreasing to 2.5% and certain other conditions being reduced or removed.

Events after the balance sheet date

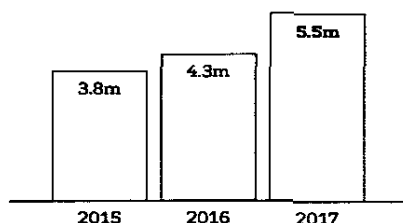
The Group completed a minority investment in KYND on 6 March 2018. The Group has acquired 20% of the share capital of KYND for a total consideration of £1.2 million. The consideration is payable in two tranches with £0.5 million paid and a further £0.7 million payable following the satisfaction of certain conditions.

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Oliver Laird
Chief Financial Officer
14 March 2018

Key performance indicators

Live policies +26%



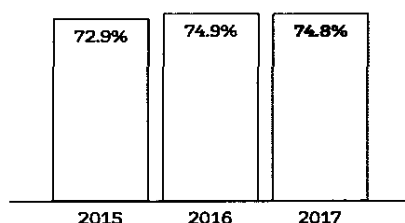
Measure

The total number of active policies that provide continuing cover or services to policyholders.

Performance

The live policy base has increased by 26% in the year due to significant customer growth in our Indian market partly offset by the continued reduction in the restricted UK book, which includes a one-time impact from the closure of a wholesale book.

Annual renewal rate



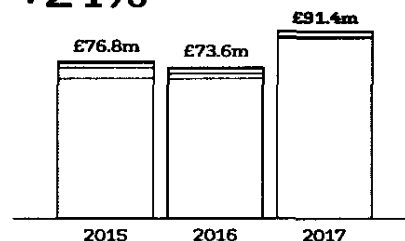
Measure

The net amount of annual retail policies remaining on book after the scheduled renewal date, as a proportion of those available to renew.

Performance

The annual renewal rate for 2017 has decreased marginally by 0.1 percentage point since December 2016 due to the mix impact of increasing renewal bases in India and Turkey that typically renew at lower rates than our restricted European markets.

Revenue from major products +24%



Measure

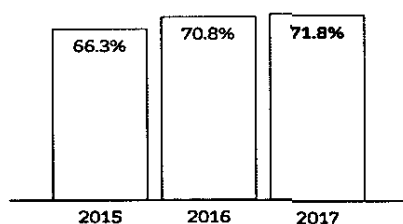
Revenue from the Group's major products and services (defined in note 5 of the financial statements).

Performance

Revenue from retail assistance policies has increased by 29% year-on-year due to growth in India being partly offset by the continued decline in Card Protection and Identity Protection renewals in the restricted UK. Retail insurance revenue, which relates to an historic UK business partner contract, has continued to decline as expected.

Non-policy revenue
Wholesale
Retail insurance
Retail assistance

Cost/income ratio



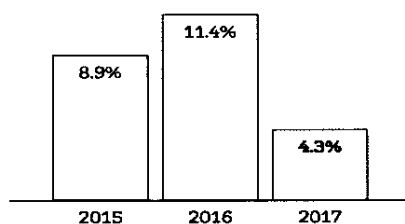
Measure

Cost of sales (excluding commission) and administrative expenses¹ as a percentage of revenue.

Performance

Our cost/income ratio has increased by 1 percentage point year-on-year due to mix factors as the UK renewal book becomes a smaller share of the Group and following the development of Blink.

Underlying operating profit margin



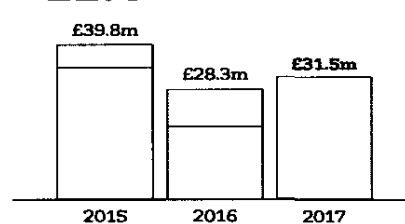
Measure

Underlying operating profit as a percentage of revenue.

Performance

Our underlying operating profit margin has decreased by 7.1 percentage points year-on-year reflecting a reducing rate in India through expansion of lower margin products and funding the development of Blink.

Group cash balances +11%



Measure

Group cash balances allocated between regulatory and VVOP restricted funds and free cash available to utilise throughout the Group.

Performance

The removal of the VVOP asset restrictions in CPPL and HIL during the year has significantly reduced the Group's restricted cash balances. Restricted cash will now represent cash required to be held for regulatory purposes only which is currently £nil. Free cash has increased due to the swap of VVOP funds from restricted cash to free cash and the proceeds from the sale of the Head Office building in York.

Free cash
VVOP & regulated cash

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1. Excluding exceptional items and MSP charges.

Risk management and principal risks

The Group's risk framework enables risks to be identified, measured, managed, monitored and reported consistently and objectively.

To support the risk framework CPP operates a 'three lines of defence' model across the Group. Each country is responsible for the risk framework, with oversight and challenge from Group control functions and independent review carried out by Internal Audit.

The focus of our risk management framework is to ensure the Group is managed in a sustainable and controlled way, making risk-based decisions within our tolerance.

During the year the framework has been enhanced by introducing a risk library and embedding a risk and control self-assessment process.

Internal control and oversight

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

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

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the Group's objectives and provides assurance against material misstatement or loss.

In assessing what constitutes reasonable assurance, the Board considers the materiality of financial and non-financial risks and the relationship between the cost of, and benefit from, the system of internal control.

Risk library

The risk library supports the risk framework and allows risks to be discussed consistently, it allows the aggregation of risk at a country and Group level and it provides a complete view of exposures.

The library consists of a hierarchy of risk levels, with each level representing further granularity. Level 1 represents the highest level of risk reporting in the Group. The Group has five Level 1 risks; financial, business, reputational, operational and conduct. Level 1 risks are further subdivided to allow allocation of ownership throughout the countries and the International Support Centre.

Risk & Control Self-assessment

Central to the risk framework is the ability to identify and measure risks and controls and put in place appropriate actions to manage them. To achieve this a quarterly process has been embedded, where each country will consider its exposure and associated controls against the risk library; this is known as a Risk & Control Self-Assessment (RCSA). The output of these are discussed at various committees including the Group Risk & Compliance Committee.

Risk environment

During the year we have continued to improve the Risk Management Framework and embed new processes which ensure risk and controls are discussed and managed throughout the organisation. As a business we recognise the importance of having an open and honest risk culture which encourages debate and discussion on the issues and risks affecting the business.

Principal risks and uncertainties

Key risk	Description	Mitigation	Status
FINANCIAL			
Funding and liquidity	There is a risk that CPP cannot meet its actual or potential obligations in a timely manner as they fall due or CPP cannot maintain a diversified, stable and cost-effective funding base.	The overall liquidity profile is actively managed, ensuring that the business plans and strategy are effective and aligned. The FCA and PRA have lifted the capital and asset restrictions previously placed on the UK regulated entities, CPPL & HIL, and the Group has recently extended the term of its revolving credit facility. In addition the sale of certain capital assets has further enhanced the cash available to the business.	↓
BUSINESS			
Strategic execution	There is a risk that CPP is unable to execute its chosen Group and country level strategy. This could be as a result of a change to external or internal factors such as capabilities and/or market conditions. During the year the Group changed its operating model by devolving greater control and responsibility to the operations within country. In doing so the countries have reviewed their operating models and put in place the appropriate resources and frameworks locally.	A Group transformation programme (reviewed by Group Internal Audit) was put in place to support the devolution of responsibilities to country. This was accompanied by a people plan to embed the appropriate skills within each country and strengthen the operational capabilities. Countries have been given support from the International Support Centre to ensure that this model is appropriate. It is recognised that these models are relatively new and could change further.	—
REPUTATIONAL			
Business reputation	There is a risk to CPP of reputational damage or credit loss arising from: the provision of products and services to customers that engage in activities that represent a reputational risk; the provision of inappropriate products or transactions (e.g. complex structures, tax or regulatory arbitrage or avoidance); or from a lack of consistency across the Group.	High standards of conduct and a principled approach to regulatory compliance are integral to our culture and values. We consider key reputational risks when initiating changes in strategy, products or our operating model. In addition, we have frameworks to address other risks that could affect our reputation such as conduct risk and operational risk.	—
Third parties and business partners	We have a number of key supplier relationships as part of our business model, particularly in respect of insurance underwriting, product distribution and operational call centres. Third party business partner risk relates to the risk that partners may seek to end or change existing relationships or may not be able to meet their agreed service level terms. There is a significant risk that without ongoing engagement with business partners our primary route to market could be constrained.	The Group continues to engage with business partners to ensure the smooth continuation of services while at the same time developing and monitoring plans for alternative arrangements and new distribution opportunities. Regular audits of third party suppliers are undertaken, and Group Internal Audit reviews internal procedures in respect of third party suppliers in line with Board approved plans.	↑

↑ Increase — Static ↓ Decrease

Risk management and principal risks continued

Principal risks and uncertainties continued

Key risk	Description	Mitigation	Status
OPERATIONAL			
Technology and infrastructure	The risk of technology failures as a result of ageing or out of support technologies, disrupting the business operations such as information security incidents or service outages. During the previous year the Group exited its relationship with the external IT provider (SSP Limited) and embarked on an IT transformation plan to support its 2020 vision and the devolved operating model. Currently the Group's IT services (systems and software engineering, applications support, data and BI management) are provided by an IT Hub.	The Group has a robust governance and delivery framework which is applied throughout its transformation. Progress and deliverables are regularly assessed to ensure they are being effectively managed and controlled. The Group has a Data Centre Migration programme underway which will update our IT estate and provide greater flexibility and improved resilience. Work is underway to deliver a standalone Chinese infrastructure and CPP's purchase of Blink provides the opportunity to adopt alternative approaches to the delivery of software and services for new product where required. The IT transformation plan is being supported by an external consultancy to develop, articulate and validate the 2020 vision.	—
Data governance	There is a risk that CPP is unable to extract accurate and complete data to support operational decision making and accurate reporting and meet regulatory requirements. Throughout 2017 the majority of countries in which CPP operates have been reviewing their data protection principles and introducing new reforms and legislation. This has particular significance for certain markets where General Data Protection Regulations (GDPR) compliance is mandatory. We continue to review the impacts of these reforms on our existing processes and procedures to ensure compliance.	The company has recruited a Group Head of Data Management (data protection officer) whose responsibilities include data management across the Group and managing the programme of work to ensure GDPR compliance. A funded programme of work is in place to review our data practices and ensure that we remain compliant with all applicable laws.	↑
Business resilience	There is a risk that CPP is unable to prevent, detect, respond or recover adequately from disruptive or impactful events.	Business continuity management is a core management function, and an integral part of planning and management processes undertaken across the Group in respect of both the current and future capability. The Group has initiated a programme of work to review existing continuity plans ensuring that they are tested and remain fit for purpose. Additionally the Group has a data centre migration programme underway to change how our data is hosted improving data resilience while remaining fully PCI compliant.	—

↑ Increase – Static ↓ Decrease

Key risk	Description	Mitigation	Status
OPERATIONAL continued			
People	There is a risk that failure to attract and retain high performing individuals able to develop and train colleagues to discharge their obligations effectively, may lead to insufficient capacity to manage our critical systems and processes. During the year the company has restructured the operating model to become more efficient, devolving responsibilities to the countries. This can represent a risk in terms of knowledge and experience lost and put increased demand on our remaining colleagues. There is a risk that any significant unplanned attrition of key individuals or delay in recruiting locally could adversely impact the business and its transformation.	The Group has identified key skills and role dependencies and takes steps to recruit and retain these within the business. The Group continues to be successful in recruiting and attracting fresh talent and new skill sets to ensure we continue to be able to deliver our plans. As a result of the new operating model, headcount has been reduced in the International Support Centre and investment made in each country to put in place the appropriate resources.	↓
CONDUCT			
Regulatory compliance, customer lifecycle and product	There is a risk of customer detriment arising from inappropriate conduct, practice or behaviour and failing to meet customer needs, interests or expected outcomes. The risk of fines, penalties, censure or other sanctions arising from failure to identify or meet regulatory requirements. The risk that new regulation or changes to existing interpretation has a material effect on the Group's operations or cost base.	We promote a strong compliance culture across the Group, and put the interests of customers first and value good relationships with regulators in all our markets. Our compliance functions across the Group support local management in identifying and meeting existing and future regulatory obligations. Our approach includes: a culture in which colleagues are encouraged to focus on good customer outcomes; a focus on simple innovative products that meet customer needs; and robust controls, governance, training and risk management processes. Regulatory and legal change is monitored by compliance, legal and risk teams in country with oversight by the Group. Work has been completed in the UK during the year to conduct product reviews, embed a conduct risk forum and to put in place supporting management information and a compliance dashboard. This will be progressed with other countries across the Group during 2018.	—
EMERGING			
Emerging risks	Emerging risks are those with uncertain impact, probability and time frame that could impact the Group. These are the hardest to define. We analyse each risk and, if needed, develop and apply mitigation and management action plans.	The external emerging risks that are currently our focus of attention include the impact of sustained volatility in our Turkish market and changes to the regulatory environment in India. We continue to consider the impacts of Brexit and the increase in cyber threats.	

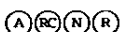
The Strategic report section on pages 6 to 31 of this Annual Report has been reviewed and approved by the Board of Directors on 14 March 2018.

Jason Walsh
Chief Executive Officer

Board of Directors and Company Secretary

Sir Richard Lapthorne Chairman

Appointment May 2016
Committee memberships



Skills and experience

A Fellow of CIMA, the Association of Corporate Treasurers and the ICCA, Sir Richard was Chairman of Cable & Wireless plc from 2003-2010 and of Cable & Wireless Communications plc (CWC) following its demerger until 2016. He was Chairman of the PwC Public Interest Body until March 2016 and is currently a Non-Executive Director of Sherritt International, based in Toronto. In the late 1990s Richard, as Finance Director and then Vice Chairman, was part of the management team that transformed British Aerospace from a position of extreme financial weakness into Europe's leading aerospace and defence company. Richard was a Trustee of Tommy's Campaign until 2014 and was Her Majesty the Queen's Trustee at The Royal Botanic Gardens, Kew until his retirement in September 2009.

Jason Walsh Chief Executive Officer

Appointment May 2016

Skills and experience

Jason 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 their Financial Services Advisory Practice, returning to CPP in May 2016 as Group CEO.

Oliver Laird Chief Financial Officer

Appointment June 2017

Skills and experience

A Fellow of CIMA, Oliver has more than ten 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.

Oliver is a Non-Executive Board Member of The British Council and Non-Executive Trustee of the Leeds University Union.

Justine Shaw People & Culture Director

Appointment July 2016

Skills and experience

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

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

Mark Hamlin Independent Non-Executive Director

Appointment May 2016
Committee memberships



Skills and experience

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

Mark is a Non-Executive Director of Beekers Group, ColArt and P44 and was Deputy Chairman of CWC 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.

Nick Cooper Independent Non-Executive Director

Appointment May 2016
Committee memberships



Skills and experience

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

A qualified solicitor, Nick previously held in-house positions with ASDA, The Sage Group plc and was Legal Director & Company Secretary of Energis. He is currently a Director of two private companies - Serious Pig Limited and Konnektis Communications Limited.

Tim Elliott Independent Non-Executive Director

Appointment September 2017
Committee memberships



Skills and 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. More recently Tim has broadened his financial services experience as a Partner and currently as a consultant at 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 has included audit tender preparation, strategy review and transaction diligence, capital structuring and capital raising.

Lorraine Beavis Company Secretary

Appointment October 2013

Skills and experience

Lorraine is a Fellow of the Institute of Chartered Secretaries and Administrators, with senior level experience in a variety of business sectors. She joined the Group in April 2012, taking up the role of Group Company Secretary in October 2013.

Key

- (N) Nomination Committee
 - (A) Audit Committee
 - (RC) Risk & Compliance Committee
 - (R) Remuneration Committee
- Chair of Committee

Corporate governance report

Sir Richard Lapthorne
Chairman

Chairman's introduction

On behalf of the Board I am pleased to present our corporate governance report for the year ended 31 December 2017.

As your Chairman, I am responsible for ensuring that the Board operates within a sound governance framework and the following report outlines how the Group has applied the principles of the 2016 UK Corporate Governance Code published by the Financial Reporting Council (the Code). The Board understands the importance of ensuring that there is a strong governance framework in place which underpins the Group's ability to achieve its strategic goals.

Although compliance with the Code is not mandatory for companies admitted to AIM, the Board acknowledges the importance of the principles set out in the the Code and continues to establish a framework of policies and procedures designed to comply with the Code as far as is reasonably practicable and appropriate for a company of its size and complexity.

The Board

The Board is responsible to shareholders for the strategic direction, management and control of the Group's activities and remains committed to high standards of corporate governance. The Board was strengthened in 2017 by the appointment in September of Tim Elliott as an additional independent Non-Executive Director and we were pleased also to welcome a new Group CFO, Oliver Laird, in June.

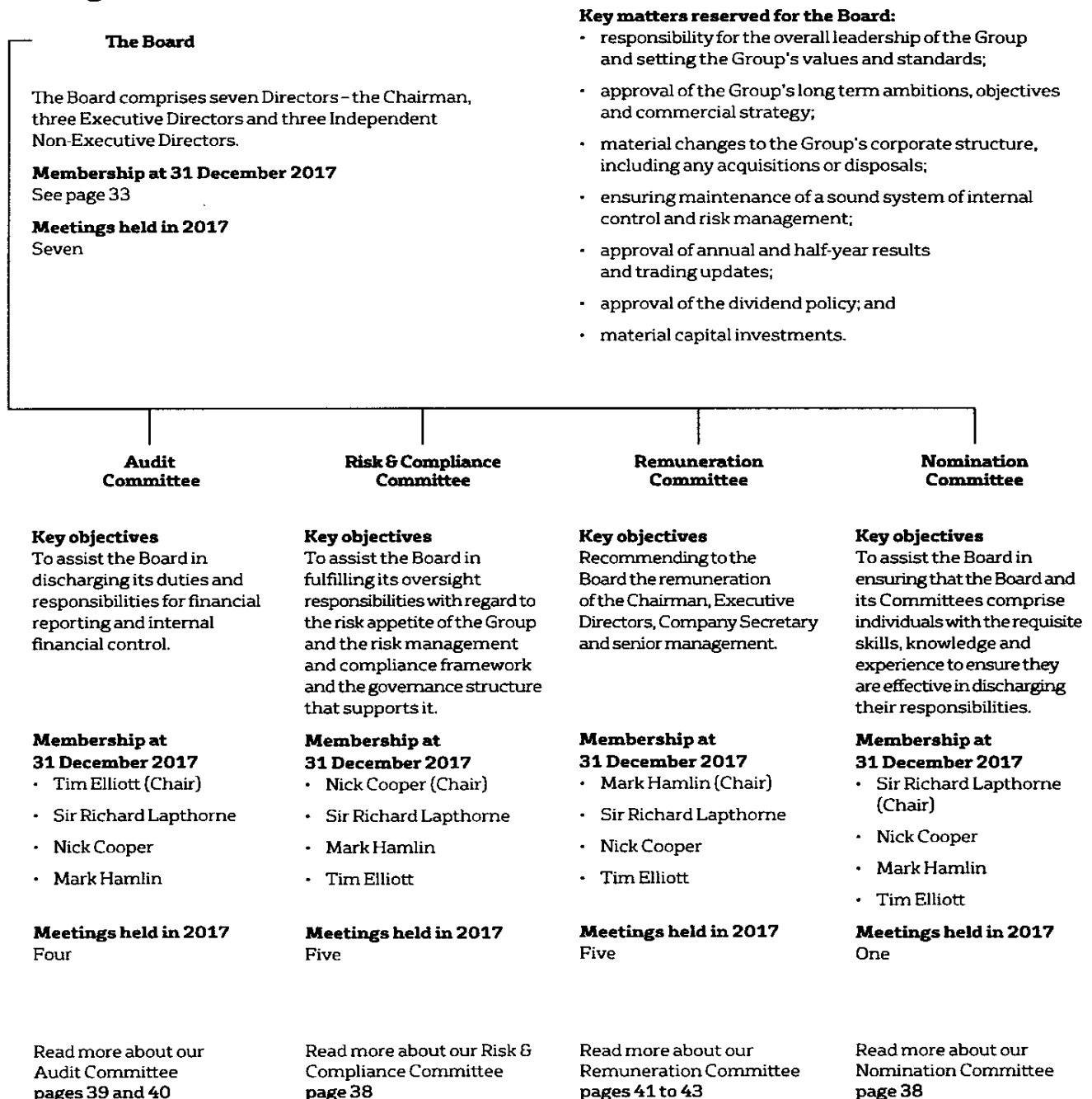
Board evaluation

At the date of this report, the Board is carrying out an externally facilitated *Board effectiveness evaluation with BP & E Global* who has no other connection with the Group. The evaluation is expected to be completed during the second quarter of 2018.

Sir Richard Lapthorne
Chairman

Although not required to comply with the Code, the Board seeks, where possible and appropriate, to comply with the Code's principles and provisions to ensure alignment with good practice, transparency and openness.

Our governance framework



Corporate governance report continued

How the Board operates

The full schedule of matters reserved to the Board is available on the Group's corporate website international.cppgroup.com.

Other powers are delegated to the various Board Committees and to senior management. Details of the roles and responsibilities of the Board Committees are set out on pages 38 to 43 and copies of all terms of reference are available on the Group's website.

Papers for Board and Committee meetings are circulated in advance of the relevant meeting. Board papers include reports from the Group CEO, Group CFO, People & Culture Director and Company Secretary. Any Director who is unable to attend receives a full copy of the papers and has the opportunity to comment on the matters to be discussed.

The Board held seven scheduled meetings during the year, with additional ad hoc meetings and calls arranged as necessary.

All meetings of the Board and its Committees are minuted by the Company Secretary. In the first instance, minutes are reviewed by the Chairman of that meeting before being circulated to all Directors in attendance and then tabled for approval at the next meeting.

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

Chairman and Chief Executive

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

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

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

The Role of the Chairman

- Leadership of the Board and setting its agenda.
- To ensure that the Board as a whole plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives.
- To act as guardian of the Board's decision-making processes.

The Role of the Group Chief Executive

- Day-to-day running of the Group's business.
- Proposing and developing the Group's strategy and overall commercial objectives in close consultation with the Chairman and the Board.
- Implementing, with the support of the executive team, the decisions of the Board and its Committees.

Full details of the roles of the Chairman and Group Chief Executive are published on the Group's website.

Board balance, independence and appointments

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

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

As at the date of this report the Board comprises the Chairman, who, at the time of his appointment satisfied the independence criteria as set out in the Code, three Non-Executive Directors and three Executive Directors. During the year under review, Nick Cooper was not deemed to be independent in accordance with the Code due to his temporarily extended role, although the Board considered him to be independent in character and judgement; the extended role came to an end on 31 December 2017. The Board has reviewed the independence of each of the Non-Executive Directors and concluded that all are independent at the date of this report.

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

On joining the Board, Non-Executive Directors receive a formal appointment letter, which identifies the estimated time commitment expected of them. A potential Director candidate is required to disclose all significant outside commitments prior to appointment and the Board requires disclosure and approval by the Board of all additional appointments for Executive or Non-Executive Directors. The terms and conditions of appointment of Non-Executive Directors and service contracts of Executive Directors are available to shareholders for inspection at the Group's registered office during normal business hours.

Information and professional development

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

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

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

Re-election

All Directors are subject to retirement by rotation in accordance with the Articles of Association. Biographies for all Directors can be found on page 33.

Relations with shareholders

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

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

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

The Group maintains a corporate website (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-year reports, trading statements and all regulatory announcements relating to the Group.

The Annual General Meeting (AGM) provides the Board with an opportunity to meet and communicate directly with private investors. Details of the AGM and the resolutions to be proposed are contained in the notice accompanying this Annual Report and available to download from our corporate website, international.cppgroup.com. Voting at the AGM will be conducted by a poll and the results announced to the market and displayed on the Group's website as soon as possible following the meeting.

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 as described on pages 38 and 39, 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 28 to 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.

Viability statement

In accordance with provision C.2.2 of the 2016 UK Corporate Governance Code, the Directors have assessed the prospects of the Group over a three-year period. The Directors consider this to be an appropriate period of review for the following reasons:

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

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

In making the assessment the Directors acknowledge that, whilst the Group is operating from a stable financial platform, the strategy and longer term viability of the Group is based on the successful adoption of the Group's operating strategy, leading to growth acceleration across key markets and some uncertainty in the medium to long term remains as this work is ongoing.

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

Directors' attendance at scheduled Board and Committee meetings in 2017

	Board	Audit Committee	Risk & Compliance Committee	Remuneration Committee	Nomination Committee	Attendance
Sir Richard Lapthorne						100%
Jason Walsh		—	—	—	—	100%
Oliver Laird ¹		—	—	—	—	100%
Justine Shaw		—	—	—	—	100%
Mark Hamlin						100%
Nick Cooper						100%
Tim Elliott ²					—	100%

1. Oliver Laird was appointed on 5 June 2017.

2. Tim Elliott was appointed on 1 September 2017.

3. Michael Corcoran attend 2/2 Board meetings before his resignation on 30 April 2017.

Corporate governance report continued

How the Board operates continued

Board Committees

The Audit Committee, the Risk & Compliance Committee, the Remuneration Committee and the Nomination 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 Group's website at international.cppgroup.com. Terms of reference are reviewed at least annually by the relevant Committee and approved by the Board. The Company Secretary acts as secretary to all Board Committees and the Chairman of each Committee reports to the Board. All standing Committees also have access to independent expert advice, if required.

Report of the Risk & Compliance Committee

Key responsibilities

The Committee's key responsibilities are defined in the Committee terms of reference and include:

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

Membership and meetings

Only Committee members are entitled to attend meetings. Other individuals such as the Executive Directors, Group Legal Counsel, the Head of Internal Audit and the Head of Risk & Compliance may be 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:

- information security;
- risk framework and risk register;
- risk appetite;
- product reviews; and
- preparation for GDPR.

Report of the Nomination Committee

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

Key responsibilities

The Committee's key responsibilities are defined in the Committee Terms of Reference and include:

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

Membership and meetings

Only Committee members are entitled to attend meetings. Other individuals and external advisers may attend meetings at the request of the Committee Chairman.

Main activities of the Committee during the year

The following principal item was dealt with during the year:

- appointment of Oliver Laird to the Board.

Tim Elliott's appointment was agreed by the full Board, following a series of individual meetings with each of Non-Executive Directors, the Group CEO and the People & Culture Director.

Board diversity

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

Report of the Audit Committee

Tim Elliott
Chairman of the Audit Committee

Other members

Mark Hamlin	Nick Cooper	Sir Richard Lapthorne
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Introduction

On behalf of the Board, I am pleased to present my first report since being appointed as Chairman of the Audit Committee in September 2017. The Audit Committee has clearly defined terms of reference which set out its objectives and responsibilities. These will be kept under review to ensure that the Committee remains effective in fulfilling its duty to provide assurance to the Board as to the integrity of the financial statements and the effectiveness of the Group's internal controls.

Meetings and membership

Only Committee members are entitled to attend meetings. Others may attend by invitation of the Committee Chairman. During the year the external Auditor, the Executive Directors and the Head of Internal Audit attended most meetings to report to the Committee and provide clarification and explanations where appropriate. The Chairman of the Audit Committee also meets on a regular basis with the Head of Internal Audit and the external Auditor without executive management present.

Each member is considered to possess up to date and appropriate financial or accounting experience and continues to be independent for the purposes of the Code. The Board is satisfied that the Audit 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 effectiveness of the audit. The main activities of the Committee during the year were:

Financial statements

The Committee reviewed and discussed financial disclosures made in the annual results announcement, the Annual Report & Accounts and the half-yearly financial report, together with any related management letters, letters of representation and reports from the external Auditor. Key financial reporting and accounting issues are shown in the table on page 40.

External Auditor

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

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

Auditor's independence, objectivity and effectiveness

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

Report of the Audit Committee continued

Main activities during the year continued

Auditor's independence, objectivity and effectiveness continued

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

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

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

Internal audit

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

The Committee has assessed the resources the Internal Audit department has to complete its remit and has approved the use of external consultants to supplement it if necessary, particularly in areas requiring specialist skills. The appointment and removal of the Head of Internal Audit is the responsibility of the Committee. 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

The Board effectiveness evaluation referred to on page 34 will include a review of the effectiveness of the Audit Committee.

Advice to the Board

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

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

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

Key financial reporting and accounting issues

The primary areas of judgement considered by the Committee in relation to the 2017 financial statements and how these were addressed by management are shown below:

Area of judgement	Management action
Cessation of commission payments to certain business partners in the UK	The Committee has received explanations from executive management during the year in relation to continued correspondence with the affected business partners and potential exposures. The Committee has challenged the information and has determined it is comfortable with the Group's position on the matter.
Recognition and impairment of retained capitalised software costs	The Committee receives reports from executive management detailing the Group's non-current asset position and the support for carrying values. The Committee has challenged the papers assessing the adequacy of approach in relation to IAS 38 and IAS 36 and is comfortable that the balances are accurately reflected.
Revenue recognition	The Committee receives regular updates from executive management on the Group's revenue recognition policies in relation to IAS 18 and has concluded that revenue recognition continues to be dealt with appropriately. This view is supported by the Auditor's report.

Tim Elliott

Chairman of the Audit Committee
14 March 2018

Directors' remuneration report

Mark Hamlin
Chairman of the Remuneration Committee

Other members

Sir Richard
Lapthorne

Nick Cooper

Tim Elliott

Introduction

On behalf of the Board, I am pleased to present the Directors' remuneration report for the year ended 31 December 2017.

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

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

Role and responsibilities of the Remuneration Committee

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

Activities during the year

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

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

Advisers to the Remuneration Committee

The Committee received advice over the year from independent remuneration consultants, OIS Consulting ("OIS"), who provided no other services to the Company during the year. Fees paid to OIS during the year totalled £97,000.

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 enterprise. The Committee will review the remuneration policy from time to time and take whatever action it considers necessary to ensure that remuneration is aligned with the overall strategic objectives of the Group.

Read about our
Board of Directors
page 33

Directors' remuneration report continued

Executive Directors' remuneration

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

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

Non-Executive Directors

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 Company'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 2017	Taxable benefits £'000 2017	Bonus £'000 2017	Pension £'000 2017	Total £'000	
					2017	2016
Executive Directors						
Jason Walsh	250	32	230	37	549	296
Justine Shaw	175	24	134	17	350	165
Oliver Laird ¹	109	14	85	11	219	—
Michael Corcoran ²	80	8	—	8	96	381
Non-Executive Directors						
Sir Richard Laphorne	160	—	—	—	160	105
Mark Hamlin ³	129	—	—	—	129	59
Nick Cooper ⁴	90	—	—	—	90	59
Tim Elliott ⁵	30	—	—	—	30	—

1. Oliver Laird was appointed on 5 June 2017.

2. Michael Corcoran resigned on 30 April 2017. In addition to the above sums he received £120,000 for pay in lieu of notice and £12,000 for accrued benefits.

3. With effect from 23 March 2017 Mark Hamlin was appointed Chairman of Blink, for which he receives an additional £50,000 per annum.

4. On 16 January 2017 Nick Cooper's role was extended on a temporary basis to provide additional support to the executive team. In addition to the above figure he received £211,000 in recognition of this temporary assignment, which came to an end on 31 December 2017.

5. Tim Elliott was appointed on 1 September 2017.

Bonuses

Executive Director bonus awards are linked to Group financial performance and individual performance criteria.

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 2017	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 2017
Jason Walsh	—	6,340,580	—	—	6,340,580
Justine Shaw	2,687,500	1,268,116	—	—	3,955,616
Oliver Laird	—	1,272,605	—	—	1,272,605

Current share plans

2016 Long Term Incentive Plan

This plan was introduced in January 2016, and options were awarded to the Executive Directors and certain members of the senior management team. A further, more limited, award was made under the plan in April 2017, which included a subsequent award made to Oliver Laird in November 2017. The options will vest on the third anniversary of the date of grant, subject to the achievement of specified performance targets.

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. These options, which have an exercise price of 1 penny, will vest over a three-year period – 25% vesting on the first anniversary of grant, 25% on the second anniversary and 50% on the third anniversary. The second tranche of awards made in June and November 2015 vested during the year. No performance conditions apply to these options, but participants must retain all of their Investment Shares for the full three-year period, otherwise any unexercised options will lapse. No further awards will be made under the MSP.

Clawback and malus provisions apply to both the above plans.

Legacy share plans

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 performance condition attached to this plan. All awards made under the plan are fully vested.

Employee Share Ownership Plans

The Company has two further legacy share plans introduced prior to the IPO in 2010 (the 2005 Plan and the 2008 Plan), which have not yet expired. There are no performance conditions attached to these shares other than relating to employment. The exercise price for the 2005 Plan is £2.28 and for the 2008 Plan £1.79. None of the current Directors hold options under either of these plans.

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 or shares held in the Employee Benefit Trust (EBT) are currently used to satisfy the exercise of all employee and Executive 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 2017	Ordinary shares held at 31 December 2016	Interests in unexercised shares under incentive plans
Jason Walsh	50,000	50,000	6,340,580
Justine Shaw	999,312	999,312	3,955,616
Oliver Laird	—	—	1,272,605
Sir Richard Lapthorne	4,200,000	—	—
Mark Hamlin	740,963	—	—
Nick Cooper ¹	145,000	—	—

1. Nick Cooper's shares are held in the name of his wife, Mrs Wendy Cooper.

There have been no purchases of shares by Directors since 31 December 2017 up to the date of this report.

The market price of ordinary shares of the Company as at 31 December 2017 was 13.13 pence and the range during the year was 10.88 pence to 16.50 pence.

Mark Hamlin

Chairman of the Remuneration Committee
14 March 2018

Directors' report

The Directors present their Annual Report and audited financial statements of the Group for the year ended 31 December 2017.

Principal activities

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

- the Strategic report on pages 6 to 31;
- the Corporate governance report on pages 32 to 38;
- the Report of the Audit Committee on pages 39 and 40; and
- the Directors' remuneration report on pages 41 to 43.

Directors

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

Sir Richard Lapthorne	Chairman	
Mark Hamlin	Non-Executive Director	
Nick Cooper	Non-Executive Director	
Jason Walsh	Chief Executive Officer	
Justine Shaw	People & Culture Director	
Oliver Laird	Chief Financial Officer	(appointed 5 June 2017)
Tim Elliott	Non-Executive Director	(appointed 1 September 2017)
Michael Corcoran	Chief Financial Officer	(resigned 30 April 2017)

Under the Company's Articles of Association any Director who has been a Director at each of the preceding two annual general meetings and who was not appointed or reappointed by the Company in general meeting at, or since, either such meeting, shall retire by rotation. Accordingly, Sir Richard Lapthorne, Mark Hamlin and Nick Cooper will submit themselves for re-election at the forthcoming AGM and Oliver Laird and Tim Elliott, who have been appointed by the Directors since the last AGM, will seek election for the first time.

Brief biographical details for each Director are set out on page 33. Details of Committee memberships are set out on page 35 of the corporate governance section.

Details of Directors' beneficial interests in and options over the Company's shares are set out in the Directors' remuneration report on pages 41 to 43.

Insurance

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

Dividends

The Directors recommend that no final dividend be paid in respect of 2017. No dividends have been paid in either the current or prior year.

Annual General Meeting

The AGM of the Company is to be held on 8 May 2018.

The notice of the AGM and an explanation of any non-routine business are set out in the explanatory circular that accompanies this Annual Report.

The notice of the meeting specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be proposed at the meeting.

Change of control provisions

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

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 30 to the consolidated financial statements. The Company's capital comprises ordinary shares of 1 penny each, which carry no right to fixed income. Each fully paid share carries the right to one vote at a general meeting of the Company.

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

Details of the Group's employee share schemes are set out in note 31.

Substantial shareholdings

On 31 December 2017, 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 2017 no person had a beneficial interest in 3% or more of the voting share capital except for the following:

Name	Ordinary shares (thousands)	%
Funds managed by Phoenix Asset Management Partners Limited	332,327	38.79%
Milton Magna Limited (a company controlled by Mr Hamish Ogston)	264,144	30.83%
Mr Hamish Ogston	96,332	11.24%
Schroder plc	89,424	10.44%

Mr Hamish Ogston holds a beneficial interest in 42.07% of the issued shares of the Company. Under the terms of a Relationship Agreement between Mr Ogston and the Company dated 22 December 2014 and effective from the Company's admission to AIM, for so long as Mr Ogston and any person or corporate body connected to him (a 'Controlling Shareholder') holds, in aggregate, 30% or more of the ordinary shares or the voting rights attaching to the shares, Mr Ogston shall not and shall procure that each Controlling Shareholder shall not:

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

Employee Benefit Trust

The total number of ordinary 1 penny shares held by the EBT as at 31 December 2017 was nil (2016: 4,051,126). (See note 30 to the Financial Statements.)

Going concern

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

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

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

Employees

The Group is committed to employment policies that provide equality of opportunity to all employees based only on their relevant skills and capabilities and that ensure no employee or applicant is treated unfairly on any grounds, including ethnic origin, religion, gender, sexual orientation or disability.

Every possible support will be offered to any employee who becomes disabled during the course of their employment, with reasonable adjustments made wherever possible.

The Group communicates with employees by means of regular business updates and weekly CEO blogs on the intranet. The CEO also holds informal 'in-touch' sessions with small groups of employees.

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 which will be published annually on our website and can be found at international.cppgroup.com/modern-slavery-statement.

Auditor

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

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

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

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

By order of the Board

Lorraine Beavis
Company Secretary
14 March 2018

Statement of Directors' responsibilities

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

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

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

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

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

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

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

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

We confirm that to the best of our knowledge:

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

By order of the Board



Jason Walsh
Chief Executive Officer
14 March 2018



Oliver Laird
Chief Financial Officer
14 March 2018

Independent Auditor's report

To the members of CPPGroup Plc

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the 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 financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of CPPGroup Plc (the 'Company') and its subsidiaries (the 'Group') 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 36.

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

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 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.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • cessation of commission payments to certain business partners (BPs) in the UK; • recognition and impairment of retained capitalised software costs; and • revenue recognition.
Materiality	The materiality that we used for the group financial statements was £1,050,000 which was determined on the basis of 1.2% of revenue.
Scoping	The Group audit scope involved performing full audits on the Group's significant components in the UK and Ireland, India and Spain, with audit of specified account balances in the components of Italy and Turkey. In aggregate our testing covered more than 90% of the Group's revenue, 91% of the Group's profit before tax and 92% of the Group's net assets.
Significant changes in our approach	The key audit matters are consistent with those identified in the prior year, with the exception of the removal of going concern. During 2017 the restrictions on capital and assets held in the UK regulated businesses was lifted by the FCA and/or PRA which has enabled the Group to access sufficient cash to reduce the risk relating to going concern.

Independent Auditor's report continued

To the members of CPPGroup Plc

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the Directors' statement in note 3 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 28 to 31 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation on page 37 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on page 37 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

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 period 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.

Cessation of commission payments to certain business partners in the UK

Key audit matter description	In 2015, the Group made the decision to cease the payment of commissions to certain BPs in the UK. The cessation of commission payments has been agreed with a number of the affected BPs, although the position with other BPs is not yet finalised. We identified a key audit matter with regard to the judgements made by Management in relation to the timing of de-recognition of contractual liabilities, the quantification of costs relating to the settlement of contractual commission obligations with BPs and the disclosure of the matter under the requirements of accounting standard IAS 37 – <i>Provisions, Contingent Liabilities and Contingent Assets</i>. Reference to this matter is included in the critical judgement and key sources of estimation note on page 64, the provision note at page 79 and in the Report of the Audit Committee at page 39. The Group has presented a provision in respect of this matter within trade payables and accruals.
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Cessation of commission payments to certain Business Partners (BPs) in the UK continued

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

Recognition and impairment of retained capitalised software costs

Key audit matter description	In 2016 the Group abandoned an IT software development project to replace the current policy administration system with a customised 'off the shelf' package to be delivered by a third party, SSP, in favour of an in-house solution. A significant impairment charge of £6.4m was recognised in 2016 as a result. The Group began 2017 with £1.3m of capitalised software costs relating to this matter retained in the balance sheet that it considered would generate future benefits in use through the in-house IT system. During 2017, the Group reassessed its strategy for IT system use and booked an impairment charge of £0.9m against costs that it did not consider would generate future benefit to the Group. We identified a key audit matter with regards to the judgements taken by the Group in relation to the value of costs which meet the criteria for capitalisation detailed in IAS 38 – <i>Intangible Assets</i>, that have reusable value in the alternative software platform and the timing of when strategic decisions were made which trigger the timing that impairments have been recognised. The Group's associated accounting policies are detailed on pages 58 to 63 with detail about judgements in applying accounting policies, in note 17 on page 73 <i>Intangible Assets</i> and in the Report of the Audit Committee at page 39.
How the scope of our audit responded to the key audit matter	We understood Management's process for assessing the re-usable element of capitalised costs by undertaking a walk-through to identify the key controls. We assessed the design and implementation of the governance review control in respect of key judgements in relation to the future benefits that will be generated from the workflows where costs have been capitalised. We reviewed the judgements made by the Group for each work stream in respect of the costs capitalised against the recognition and measurement criteria under accounting standard IAS 38 – <i>Intangible Assets</i> by testing a sample of costs to underlying supporting evidence. We assessed whether the alternative software platform was likely to be complete and the value of future benefits expected to be generated to the Group through review of internal meeting minutes and Group forecasts. We also reviewed committee minutes and IT strategy documentation prepared in 2017 to assess if a change in Group strategy for the IT systems had occurred and whether it is appropriate for the impairment to be recognised in the current year. We evaluated the value of capitalised costs in the balance sheet against the results of our independent assessment.
Key observations	We concluded that the accounting treatment of the impairment of capitalised costs by the Group is reasonable.

Independent Auditor's report continued

To the members of CPPGroup Plc

Revenue recognition	
Key audit matter description	There are significant judgements involved in applying the Group's revenue recognition policies across multiple products, in particular: • determining the revenue recognition policy for new products and where considered appropriate implementing the deferral of revenue where the Group has future servicing obligations to customers; and • the allocation of revenue between introducing and servicing activities, particularly in India where a number of different customer benefits are bundled within products. In addition, the completeness and accuracy of revenue, in particular the quantification of revenue journals is reliant on IT system reports and automated controls operating effectively. We have determined that revenue recognition is a key audit matter due to the level of judgement as described above in complying with IAS 18 – Revenue. The Group's associated accounting policies are detailed on pages 58 to 63 and are discussed in the Report of the Audit Committee at page 39.
How the scope of our audit responded to the key audit matter	We understood Management's process for recognising revenue by undertaking a walk-through to identify the key controls, and data flows. We assessed the design and implementation of key manual controls used to reconcile journal entries to underlying customer databases and cash received in the bank. We tested the operating effectiveness of centrally managed group-wide key automated controls in the core administration systems used to trigger renewal and refund transactions and to generate journal entries to the general ledger. We also assessed the design and implementation of the governance review of revenue recognition policies for new products launched. We challenged the Group's method of allocating revenue between introductory and servicing activities by reviewing the underlying evidence used to support this allocation. We independently re-calculated the Group's material revenue streams from an independent extraction of source policyholder data and substantively tested a sample of revenue entries to underlying supporting evidence. We evaluated the appropriateness of revenue recognition policies applied by reference to the terms and conditions of the underlying products and tested the reconciliation of recorded revenue against cash collection.
Key observations	We considered the revenue recognition policies to be compliant with <i>IAS 18 – Revenue</i> .

Our application of materiality

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

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

	Group financial statements	Company financial statements
Materiality	£1,050,000 (2016: £820,000)	£525,000 (2016: £410,000)
Basis for determining materiality	Below 1.2% of revenue (2016: below 1.2% of revenue).	Company materiality equates to less than 1% of net assets (2016: below 1% of net assets). Materiality has been capped at 50% (2016: 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 has been the most consistent benchmark over recent years when profit before tax has been unusually volatile and is not considered to be the key benchmark at the current time. Revenue is also the key metric used by Management to measure the performance of new sales and the sustainability of renewal portfolios of the Group.	We used net assets to determine the Company materiality because it is the key benchmark for a holding company.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £50,000 (2016: £16,400) for the Group and for the Company, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. The change in the reporting threshold has been made following our reassessment of what matters require communicating. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

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

Based on that assessment, we focused our Group audit scope primarily on the audit work at five locations (the United Kingdom and Ireland, India, Spain, Italy and Turkey). Three of these were subject to a full audit (2017 and 2016: United Kingdom and Ireland, India and Spain), whilst the remaining two (2017 and 2016: Turkey and Italy) were subject to an audit of specified account balances where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations.

These locations represent the principal business units and account for 92% (2016: 93%) of the Group's net assets, 90% (2016: 88%) of the Group's revenue and 91% (2016: 95%) of the Group's profit before tax.

They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the five locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from £420,000 to £570,000 (2016: £110,000 to £430,500).

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

The Group audit team continued to follow a programme of planned visits that has been designed so that a senior member of the Group audit team visits each of the locations where the Group audit scope was focused at least once every two years. We included a location visit to Spain in our planning of the audit; in 2016 we visited India. In years when we do not visit a significant component we will include the component audit partner and team in our team briefing, discuss their risk assessment, and review audit work performed and findings identified by component audit teams.

Independent Auditor's report continued

To the members of CPPGroup Plc

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report including the Strategic Report and Corporate Governance Report, other than the financial statements and our Auditor's Report thereon.

We have nothing to report in respect of these matters.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

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.

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

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.

Report on other legal and regulatory requirements

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/or 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.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have 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.

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.



Peter Birch FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Leeds, UK
14 March 2018

Consolidated income statement

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Continuing operations			
Revenue	5	91,435	73,649
Cost of sales		(49,598)	(27,737)
Gross profit		41,837	45,912
Administrative expenses		(38,290)	(47,693)
Operating profit/(loss)		3,547	(1,781)
Analysed as:			
Underlying operating profit	5	3,908	8,365
Exceptional items	6	(67)	(9,172)
MSP charges	31	(294)	(974)
Investment revenues	10	191	231
Finance costs	11	(313)	(325)
Profit/(loss) before taxation		3,425	(1,875)
Taxation	12	1,174	1,342
Profit/(loss) for the year from continuing operations		4,599	(533)
Discontinued operations			
Profit for the year from discontinued operations	15	—	579
Profit for the year attributable to equity holders of the Company	7	4,599	46
		Pence	Pence
Basic earnings/(loss) per share			
Continuing operations	14	0.54	(0.06)
Discontinued operations	14	—	0.07
Total		0.54	0.01
		Pence	Pence
Diluted earnings/(loss) per share			
Continuing operations	14	0.52	(0.06)
Discontinued operations	14	—	0.07
Total		0.52	0.01

Consolidated statement of comprehensive income

For the year ended 31 December 2017

	2017 £'000	2016 £'000
Profit for the year	4,599	46
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(158)	(62)
Other comprehensive expense for the year net of taxation	(158)	(62)
Total comprehensive income/(expense) for the year attributable to equity holders of the Company	4,441	(16)

Balance sheets

As at 31 December 2017

		Consolidated		Company	
	Note	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Non-current assets					
Goodwill	16	776	—	—	—
Other intangible assets	17	882	2,136	—	—
Property, plant and equipment	18	1,281	5,316	—	—
Investments	19	—	—	15,551	15,538
Deferred tax asset	28	1,554	818	514	346
		4,493	8,270	16,065	15,884
Current assets					
Insurance assets	20	30	62	—	—
Inventories	21	65	40	—	—
Trade and other receivables	22	24,116	16,991	74,129	71,599
Cash and cash equivalents	23	31,465	28,250	—	—
		55,676	45,343	74,129	71,599
Total assets		60,169	53,613	90,194	87,483
Current liabilities					
Insurance liabilities	24	(706)	(863)	—	—
Income tax liabilities		(854)	(1,946)	—	—
Trade and other payables	25	(22,427)	(25,383)	(20,108)	(21,392)
Borrowings	26	6	(1,391)	(6,736)	(1,604)
Provisions	27	(490)	(1,143)	—	—
Deferred revenue		(20,681)	(12,716)	—	—
		(45,152)	(43,442)	(26,844)	(22,996)
Net current assets		10,524	1,901	47,285	48,603
Non-current liabilities					
Borrowings	26	—	80	—	—
Deferred tax liabilities	28	—	(103)	—	—
		—	(23)	—	—
Total liabilities		(45,152)	(43,465)	(26,844)	(22,996)
Net assets		15,017	10,148	63,350	64,487
Equity					
Share capital	30	23,978	23,975	23,978	23,975
Share premium account		45,225	45,225	45,225	45,225
Merger reserve		(100,399)	(100,399)	—	—
Translation reserve		771	929	—	—
ESOP reserve		15,114	14,516	8,488	7,890
Retained earnings/(accumulated losses)		30,328	25,902	(14,341)	(12,603)
Total equity attributable to equity holders of the Company		15,017	10,148	63,350	64,487

The notes on pages 58 to 89 form an integral part of these financial statements.

Approved by the Board of Directors and authorised for issue on 14 March 2018 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 2017

	Note	Share capital £'000	Share premium account £'000	Merger reserve £'000	Translation reserve £'000	Equalisation reserve £'000	ESOP reserve £'000	Retained earnings/ (accumulated losses) £'000	Total £'000
At 1 January 2016		23,939	45,225	(100,399)	991	6,243	13,093	20,923	10,015
Total comprehensive expense		—	—	—	(62)	—	—	46	(16)
Movement on equalisation reserve	24	—	—	—	—	(6,243)	—	6,243	—
Current tax charge on equalisation reserve movement	12	—	—	—	—	—	—	(1,249)	(1,249)
Equity settled share-based payment charge	31	—	—	—	—	—	1,486	—	1,486
Deferred tax on share-based payment charge	12	—	—	—	—	—	—	(11)	(11)
Movement in EBT shares	30	—	—	—	—	—	(63)	—	(63)
Exercise of share options	30	36	—	—	—	—	—	(50)	(14)
At 31 December 2016		23,975	45,225	(100,399)	929	—	14,516	25,902	10,148
Total comprehensive income		—	—	—	(158)	—	—	4,599	4,441
Equity settled share-based payment charge	31	—	—	—	—	—	271	—	271
Deferred tax on share-based payment charge	12	—	—	—	—	—	—	113	113
Movement in EBT shares	30	—	—	—	—	—	327	—	327
Exercise of share options	30	3	—	—	—	—	—	(286)	(283)
At 31 December 2017		23,978	45,225	(100,399)	771	—	15,114	30,328	15,017

Company statement of changes in equity

For the year ended 31 December 2017

	Note	Share capital £'000	Share premium account £'000	ESOP reserve £'000	Accumulated losses £'000	Total £'000
At 1 January 2016		23,939	45,225	6,467	(8,374)	67,257
Total comprehensive expense		—	—	—	(4,168)	(4,168)
Equity settled share-based payment charge	31	—	—	1,486	—	1,486
Deferred tax on share-based payment charge	12	—	—	—	(11)	(11)
Movement in EBT shares	30	—	—	(63)	—	(63)
Exercise of share options	30	36	—	—	(50)	(14)
At 31 December 2016		23,975	45,225	7,890	(12,603)	64,487
Total comprehensive expense		—	—	—	(1,565)	(1,565)
Equity settled share-based payment charge	31	—	—	271	—	271
Deferred tax on share-based payment charge	12	—	—	—	113	113
Movement in EBT shares	30	—	—	327	—	327
Exercise of share options	30	3	—	—	(286)	(283)
At 31 December 2017		23,978	45,225	8,488	(14,341)	63,350

Consolidated cash flow statement

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Net cash from/(used in) operating activities	33	1,178	(7,209)
Investing activities			
Interest received		191	243
Proceeds from sale of property		5,325	—
Purchases of property, plant and equipment		(847)	(592)
Purchases of intangible assets		(315)	(3,812)
Acquisition of a subsidiary	32	(862)	—
Net cash from/(used in) investing activities		3,492	(4,161)
Financing activities			
Repayment of bank loans		—	(1,000)
Repayment of the Second Commission Deferral Agreement	33	(1,304)	—
Interest paid		(304)	(230)
Issue/(purchase) of ordinary share capital and associated costs		44	(76)
Net cash used in financing activities		(1,564)	(1,306)
Net increase/(decrease) in cash and cash equivalents		3,106	(12,676)
Effect of foreign exchange rate changes		109	1,116
Cash and cash equivalents at 1 January		28,250	39,810
Cash and cash equivalents at 31 December	23	31,465	28,250

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. Foreign operations are included in accordance with the policies set out in note 3.

The Company has taken advantage of the exemption in the Companies Act 2006, Section 408, not to present its own income statement. The Company reported a loss after tax for the year of £1,565,000 (2016: £4,168,000). There have been no dividends received from subsidiary undertakings in either the current or prior year.

2. Adoption of new Standards

New Standards adopted

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

Standard/Interpretation	Subject
IAS12 (amendments)	Recognition of deferred tax assets for unrealised losses
IAS 7 (amendments)	Disclosure Initiative
Annual improvements to IFRSs	2014–2016 cycle

Standards not yet applied

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

Standard/Interpretation	Subject	Period first applies (year ended)
IFRS 9	Financial instruments	31 December 2018
IFRS 15	Revenue from contracts with customers	31 December 2018
IFRS 2 (amendments)	Share-based payment transactions	31 December 2018
IFRIC 22	Foreign currency transactions and advance consideration	31 December 2018
IFRS 16	Leases	31 December 2019
IFRS 17	Insurance contracts	31 December 2021

The Group has estimated applying IFRS 15 revenue from contracts with customers as materially impacting the accounting for deferred revenue in the case of certain contracts. It is anticipated that there will be a material impact on revenue recognition and profit across the Group. If IFRS 15 was applied to 2017 reported revenue under current contractual arrangements, the estimated impact would have been to increase revenue for 31 December 2017 in the range of £9 million to £11 million, and due to changes in timing of recognition of certain cost elements, a decreased profit in the range of £2 million to £3 million. The application of IFRS 15 may result in the identification of separate performance obligations in relation to future launched new products which could affect the timing of the recognition of revenue going forward. The application of IFRS 15 will change the timing of the Group's profit performance. The overall lifetime profit margins associated with the Group's contracts are not impacted.

The Group plans to apply IFRS 15 initially on 1 January 2018, using the full retrospective approach. Therefore the comparative information will be restated in the 30 June 2018 interim financial statements.

3. Significant accounting policies

Basis of preparation

These consolidated financial statements on pages 54 to 89 present the performance of the Group for the year ended 31 December 2017. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS and therefore comply with Article 4 of the EU IAS Regulation. The consolidated financial statements have also been prepared under the historical cost basis. The comparative period balance sheet has been represented to separately disclose deferred revenue due to the material nature of this balance. Deferred revenue was previously presented within trade and other payables.

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.

3. Significant accounting policies continued

Going concern

The Board of Directors has, at the time of approving the consolidated financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus it continues to adopt the going concern basis of accounting in preparing the consolidated financial statements. Further details of the Directors' assessment are set out in the Directors' report on page 45.

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. 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

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

Prior to the Company's shares being transferred to AIM, the Group had issued share options to certain of its employees through the Executive Share Option Plan (ESOP) 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.

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 re-measured, 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.

Notes to the financial statements continued

3. Significant accounting policies continued

Revenue

Assistance products revenue

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 generally recorded by the Group under two categories: as intermediary in the policy sale and administration process and for ongoing services where an obligation exists to provide future services. Fees receivable in the Group's role as intermediary are recognised on inception of the arrangement. Service fees are deferred and recognised over the period of the underlying contract. Provisions for cancellations are made at the time revenue is recorded and are deducted from revenue.

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

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

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

Deferred revenue

The Group recognises deferred revenue on its balance sheet, relating to revenue for the obligation to provide future services, typically claims handling and policy administration services. In these situations an amount of revenue is deferred over the life of the policy sufficient to cover future claims handling and service costs and an appropriate profit margin. A cost plus margin approach is used to determine the appropriate level of deferment, due to there being no observable market value for such features. The assessment of future costs and expected number of incidences is validated by reference to experience of historical actual costs and volume. Service revenue is then recognised in equal instalments over the life of the policy.

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.

Discontinued operations

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

Business combinations

The acquisitions of subsidiaries are accounted for using the acquisition method. The consideration transferred for acquisition of a subsidiary are 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.

3. Significant accounting policies continued

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 or joint venture operation, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Intangible assets

Externally acquired software

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

Internally generated software

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

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

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

Contractual arrangements with third parties

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

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.

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

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

Impairment

Annually the Group reviews the carrying amounts of its intangible assets to determine whether there is 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.

Notes to the financial statements continued

3. Significant accounting policies continued

Property, plant and equipment

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

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

Freehold property: 40 years straight line

Computer systems: 4 – 5 years straight line

Furniture and equipment: 4 years straight line

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

Freehold land is not depreciated.

Cash and cash equivalents

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

Leases

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

Taxation

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

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

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

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

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

Pension costs

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

Foreign currencies

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

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

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

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

3. Significant accounting policies continued

Financial instruments

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

Financial assets

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

Investments in debt and equity securities are classified as either available for sale or fair value through profit and loss.

Available-for-sale financial assets 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 securities 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 'available-for-sale' investments, gains or losses arising from changes in fair value are recognised in other comprehensive income, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is included in the income statement for the period. 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 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 issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

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

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 has made judgements over the appropriate levels of recognition of revenue on inception of policies and the appropriate level of revenue to defer over the duration of the policies. Deferred revenue is based on the ongoing cost of call handling and service costs and an appropriate profit margin. Judgement is made over the levels of future costs likely to be incurred in providing ongoing services. Levels of revenue deferral vary dependant on contractual arrangements, country specific cost factors and experience of historical actual costs and volumes.

Classification of exceptional items

Exceptional items are those items that are required to be separately disclosed on the income statement 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.

Notes to the financial statements continued

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 taken advantage of the reduced disclosures available within IAS 37 as it does not consider it appropriate to disclose the detail of contractual matters as it may prejudice any future discussions.

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

Deferred tax asset

The Group has recognised a deferred tax asset of £1,554,000. 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.

Due to the uncertainty associated with such tax items it is feasible that at a future date, on conclusion of possible taxable profit outcomes, the final utilisation may vary significantly. The value recognised as a deferred tax asset is a judgement within a range of reasonable future forecast sensitivities of up to £5,900,000 to a reduction in assets entirely. Deferred tax assets are currently recognised under the assumption of forecast profits on a short-term assessment basis.

5. Segmental analysis

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

The Group is managed on the basis of three broad geographical regions:

- UK and Ireland;
- Europe and Latin America (Spain, Italy, Germany, Turkey, Mexico and Portugal); and
- Asia Pacific (India, China, Hong Kong, Malaysia and Singapore).

Segment revenues and performance have been as follows:

	UK and Ireland 2017 £'000	Europe and Latin America 2017 £'000	Asia Pacific 2017 £'000	Total 2017 £'000
Year ended 31 December 2017				
Continuing operations				
Revenue – external sales	22,314	26,919	42,202	91,435
Cost of sales	(1,937)	(12,229)	(35,432)	(49,598)
Gross profit	20,377	14,690	6,770	41,837
Depreciation and amortisation	(1,043)	(118)	(29)	(1,190)
Other administrative expenses excluding exceptional items and MSP charges	(21,744)	(10,070)	(4,925)	(36,739)
Regional underlying operating (loss)/profit	(2,410)	4,502	1,816	3,908
Exceptional items (note 6)				(67)
MSP charges				(294)
Operating profit				3,547
Investment revenues				191
Finance costs				(313)
Profit before taxation				3,425
Taxation				1,174
Profit for the year from continuing operations				4,599
Discontinued operations				
Profit for the year from discontinued operations (note 15)				—
Profit for the year				4,599

For the purposes of resource allocation and assessing performance, operating costs and revenues are allocated to the regions in which they are earned or incurred. The above does not reflect additional net charges of central costs of £3,330,000, presented within UK and Ireland in the table above, which has been charged to other regions for statutory purposes.

S. Segmental analysis continued

	UK and Ireland 2016 £'000	Europe and Latin America 2016 £'000	Asia Pacific 2016 £'000	Total 2016 £'000
Year ended 31 December 2016				
Continuing operations				
Revenue – external sales	28,757	27,619	17,273	73,649
Cost of sales	(2,782)	(13,129)	(11,826)	(27,737)
Gross profit	25,975	14,490	5,447	45,912
Depreciation and amortisation	(368)	(119)	(17)	(504)
Other administrative expenses excluding exceptional items and MSP charges	(24,086)	(9,170)	(3,787)	(37,043)
Regional underlying operating profit	1,521	5,201	1,643	8,365
Exceptional items (note 6)				(9,172)
MSP charges				(974)
Operating loss				(1,781)
Investment revenues				231
Finance costs				(325)
Loss before taxation				(1,875)
Taxation				1,342
Loss for the year from continuing operations				(533)
Discontinued operations				
Profit for the year from discontinued operations (note 15)				579
Profit for the year				46

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

Segment assets

	2017 £'000	2016 £'000
UK and Ireland	24,768	30,454
Europe and Latin America	8,592	8,262
Asia Pacific	24,479	14,038
Total segment assets	57,839	52,754
Assets relating to discontinued operations	—	41
Unallocated assets	2,330	818
Consolidated total assets	60,169	53,613

Goodwill and deferred tax are not allocated to segments.

Notes to the financial statements continued

5. Segmental analysis continued

Capital expenditure

	Intangible assets		Property, plant and equipment	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Continuing operations				
UK and Ireland	86	3,780	633	478
Europe and Latin America	35	32	194	27
Asia Pacific	280	—	20	87
Additions from continuing operations	401	3,812	847	592

Revenues from major products

	2017 £'000	2016 £'000
Continuing operations		
Retail assistance policies	87,748	68,013
Retail insurance policies	944	2,473
Wholesale policies	2,263	2,503
Non-policy revenue	480	660
Revenue from continuing operations	91,435	73,649
Discontinued operations	—	91
Consolidated total revenue	91,435	73,740

Major product streams are disclosed on the basis monitored by the Board of Directors. For the purpose of this product analysis, 'retail assistance policies' are those which may be insurance backed but contain a bundle of assistance and other benefits; 'retail insurance policies' are those which protect against a single insurance risk; 'wholesale policies' are those which are provided by business partners to their customers in relation to an ongoing product or service which is provided for a specified period of time; and 'non-policy revenue' is that which is not in connection with providing an ongoing service to policyholders for a specified period of time.

Disclosures in notes 8, 20 and 24 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.

5. Segmental analysis continued

Geographical information

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

	External revenues		Non-current assets	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Continuing operations				
UK	21,977	28,358	2,140	7,074
India	40,032	15,163	82	90
Spain	11,294	11,997	151	92
Other	18,132	18,131	566	196
Total continuing operations	91,435	73,649	2,939	7,452
Discontinued operations	—	91	—	—
	91,435	73,740	2,939	7,452

Information about major customers

Revenue from the customers of one business partner in the Group's Asia Pacific segment represented approximately £25,548,000 (2016: £5,515,000) of the Group's total revenue.

6. Exceptional items

	Note	2017 £'000	2016 £'000
Aborted IT platform and associated contractual settlement costs	7,17	880	9,104
Reversal of freehold property impairment	18	(506)	(1,534)
Customer redress and associated costs	27	(307)	(100)
Restructuring costs		—	1,170
Requisition costs		—	532
Exceptional charge included in operating profit or loss		67	9,172
Tax on exceptional items		(110)	(436)
Total exceptional (credit)/charge after tax		(43)	8,736

Aborted IT platform and associated contractual settlement costs of £880,000 (2016: £9,104,000) relates to impairment and subsequent write off of the IT platform in development.

Reversal of freehold property impairment is a credit of £506,000 (2016: £1,534,000) and reflects the write back of the asset to its disposal value less costs to sell, refer to note 18 for further detail.

Customer redress and associated costs are a credit of £307,000 (2016: £100,000 charge) and relate to the release of the remaining customer redress provision.

These items are considered exceptional as they are a continuation of action disclosed as exceptional in the prior year or represent a reversal of exceptional charges recognised in prior years.

Notes to the financial statements continued

7. Profit for the year

	Note	Continuing operations		Discontinued operations		Total	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000

Profit for the year has been arrived at after charging/(crediting):

Operating lease charges		1,137	1,556	—	—	1,137	1,556
Net foreign exchange losses/(gains)		146	89	—	(12)	146	77
Depreciation of property, plant and equipment	18	418	400	—	—	418	400
Amortisation of intangible assets	17	332	104	—	—	332	104
Impairment of intangible assets	17	440	—	—	—	440	—
Loss on disposal of property, plant and equipment		—	20	—	—	—	20
Customer redress and associated costs	27	(307)	(100)	—	—	(307)	(100)
Restructuring costs		—	500	—	—	—	500
Aborted IT platform and associated contractual settlement costs	6,17	(880)	9,104	—	—	(880)	9,104
Reversal of freehold property impairment	6,18	(506)	(1,534)	—	—	(506)	(1,534)
Share-based payments	31	281	1,486	—	—	281	1,486
Redundancy costs	9	1,823	1,278	—	6	1,823	1,284
Other staff costs		24,899	24,652	—	31	24,899	24,683
Total staff costs	9	27,003	27,416	—	37	27,003	27,453
Movement on allowance for doubtful trade receivables	22	(25)	(5)	—	(59)	(25)	(64)

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

	2017 £'000	2016 £'000
Payable to the Company's auditor for the audit of the Company and consolidated financial statements	48	49
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	253	242
Total audit services	301	291
Taxation compliance services	14	24
Other services	18	11
Total non-audit services	32	35
	333	326

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

	2017 £'000	2016 £'000
Gross premiums written	2,302	4,140
Change in provision for unearned premiums	103	213
Earned premiums	2,405	4,353

8. Insurance revenues and costs continued

Costs incurred from insurance activities

	2017 £'000	2016 £'000
Claims paid		
- Gross amount	194	485
- Reinsurer's share	—	(5)
- Decrease in provision for gross claims	(54)	(113)
- Decrease in provision for reinsurance claims	—	5
	140	372
Acquisition costs		
- Costs incurred	6	50
- Movement in deferred acquisition costs	20	80
	26	130
Other expenses	1,672	2,217
	1,838	2,719

The following assumption has a significant impact on insurance revenues:

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

9. Staff costs

Staff costs during the year (including Executive Directors)

	Continuing operations		Discontinued operations		Total	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Wages and salaries	21,109	20,967	—	27	21,109	20,994
Social security costs	2,904	2,849	—	4	2,904	2,853
Redundancy costs	1,823	1,278	—	6	1,823	1,284
Share-based payments (see note 31)	281	1,486	—	—	281	1,486
Pension costs	886	836	—	—	886	836
	27,003	27,416	—	37	27,003	27,453

Average number of employees

	2017	2016
Continuing operations		
UK and Ireland	233	302
Europe and Latin America	318	340
Asia Pacific	42	34
Total continuing operations	593	676

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 £1,547,000 (2016: £5,753,000) and average number of employees was 10 (2016: 27).

Details of the remuneration of Directors are included in the Directors' remuneration report on pages 41 to 43.

10. Investment revenues

	Continuing operations		Discontinued operations		Total	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Interest on bank deposits	191	231	—	12	191	243

Notes to the financial statements continued

11. Finance costs

	Continuing operations		Discontinued operations		Total	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Interest on borrowings	93	162	—	—	93	162
Amortisation of capitalised loan issue costs	73	73	—	—	73	73
Other	147	90	—	—	147	90
	313	325	—	—	313	325

12. Taxation

	2017 £'000	2016 £'000
Continuing operations		
Current tax (credit)/charge:		
UK corporation tax	(999)	(1,270)
Foreign tax	1,104	347
Adjustments in respect of prior years	(917)	8
Total current tax	(812)	(915)
Deferred tax (credit)/charge:		
Origination and reversal of timing differences	(393)	(480)
Impact of change in UK tax rates	31	42
Adjustments in respect of prior years	—	11
Total deferred tax	(362)	(427)
Total tax credit	(1,174)	(1,342)

UK corporation tax is calculated at 19.25% (2016: 20.00%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The UK Finance (No 2) Act 2015 was enacted on 18 November 2015. It provided for a reduction in the main rate of UK corporation tax from 20% to 19% effective from 1 April 2017. The UK Finance Act 2016 was enacted on 15 September 2016. It provides for a further reduction to 17% from 1 April 2020. As these rates were substantively enacted prior to 31 December 2017, they have been reflected in the UK deferred tax balance at 31 December 2017.

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

	2017 £'000	2016 £'000
Profit/(loss) before tax from continuing operations	3,425	(1,875)
Effects of:		
Tax at the UK corporation tax rate of 19.25% (2016: 20.00%)	659	(375)
Movement in unprovided deferred tax following the IT platform impairment	—	753
Use of unprovided UK losses against the equalisation reserve release	—	(1,009)
Non-taxable gain on sale of property	(95)	—
Deferred tax adjustment on asset transfer	(44)	—
Other movements in unprovided deferred tax	—	(154)
Provisional tax charge on uncertain expenditure in the current year	218	1,109
Other income not chargeable for tax purposes	(972)	(833)
Overseas tax gains not recognised	(184)	(964)
Higher tax rates on overseas earnings	239	186
Adjustments in respect of prior years	(917)	19
Impact of change in future tax rates on deferred tax	31	43
Deficit of share option charge compared to tax allowable amount	(109)	(117)
Total tax credited to income statement	(1,174)	(1,342)

12. Taxation continued

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

	2017 £'000	2016 £'000
Current tax charge		
Movement on equalisation reserve	—	1,249
Total current tax charge	—	1,249
Deferred tax (credit)/charge		
Timing differences on equity settled share-based charge	(113)	11
Total deferred tax (credit)/charge	(113)	11
Total tax (credited)/charged to reserves	(113)	1,260

13. Dividends

The Directors have not proposed a final dividend for the year ended 31 December 2017.

14. Earnings/(loss) per share

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

Earnings/(loss)

	Continuing operations		Discontinued operations		Total	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Earnings/(loss) for the purposes of basic and diluted earnings/(loss) per share	4,599	(533)	—	579	4,599	46
Exceptional items (net of tax)	(43)	8,736	—	—	(43)	8,736
MSP charges (net of tax)	209	698	—	—	209	698
Earnings for the purposes of underlying basic and diluted earnings per share	4,765	8,901	—	579	4,765	9,480

Number of shares

	2017 Number (thousands)	2016 Number (thousands)
Weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share and basic underlying earnings per share	856,502	854,677
Effect of dilutive potential ordinary shares: share options	27,188	28,506
Weighted average number of ordinary shares for the purposes of diluted underlying earnings per share	883,690	883,183

	Continuing operations		Discontinued operations		Total	
	2017 Pence	2016 Pence	2017 Pence	2016 Pence	2017 Pence	2016 Pence
Basic and diluted earnings/(loss) per share:						
Basic	0.54	(0.06)	—	0.07	0.54	0.01
Diluted	0.52	(0.06)	—	0.07	0.52	0.01
Basic and diluted underlying earnings per share:						
Basic	0.56	1.04	—	0.07	0.56	1.11
Diluted	0.54	1.00	—	0.07	0.54	1.07

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 earnings/(loss) per share.

Notes to the financial statements continued

15. Discontinued operations

The Group completed the closure of its airport lounge access services (Airport Angel) on 31 December 2015. In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' this operation was presented as a discontinued operation.

The consolidated income statement and summary of cash flows of this business are set out below:

(i) Consolidated income statement

	2017 £'000	2016 £'000
Revenue	—	91
Cost of sales	—	313
Gross profit	—	404
Administrative expenses	—	163
Operating profit	—	567
Analysed as:		
Underlying operating profit	—	567
Exceptional items	—	—
Investment revenues	—	12
Finance costs	—	—
Profit before taxation	—	579
Taxation	—	—
Profit for the year	—	579

At the point of closure certain estimates and assumptions were recognised relating to outstanding obligations. These estimates and assumptions did not crystallise in full resulting in the income statement credits for costs of sales and administrative expenses in the prior year. There have been no further movements in the current year.

(ii) Summary of cash flows

	2017 £'000	2016 £'000
Net cash flows from operating activities	—	144
Net cash flows from investing activities	—	12
Net cash flows from financing activities	—	—
Net cash inflow	—	156

16. Goodwill

	2017 £'000	2016 £'000
Cost and carrying value		
At 1 January	—	—
Acquisitions	776	—
At 31 December	776	—

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The goodwill relates to Blink Innovation Limited (Blink).

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

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 start-up nature of the CGU. The pre-tax rate used to discount the forecast cash flows of the CGU at 31 December 2017 is 12.0%.

17. Intangible assets

	Internally generated software £'000	Externally acquired software £'000	Total £'000
Cost			
At 1 January 2016	20,246	22,900	43,146
Additions	362	3,450	3,812
Disposals	(420)	(6,583)	(7,003)
Exchange adjustments	—	137	137
At 1 January 2017	20,188	19,904	40,092
Additions	82	319	401
Disposals	(19,478)	(18,010)	(37,488)
Exchange adjustments	(2)	8	6
At 31 December 2017	790	2,221	3,011
Accumulated amortisation			
At 1 January 2016	19,478	18,843	38,321
Provided during the year	—	104	104
Disposals	(420)	(6,583)	(7,003)
Impairment	420	5,984	6,404
Exchange adjustments	—	130	130
At 1 January 2017	19,478	18,478	37,956
Provided during the year	89	243	332
Disposals	(19,478)	(18,010)	(37,488)
Impairment	259	1,061	1,320
Exchange adjustments	—	9	9
At 31 December 2017	348	1,781	2,129
Carrying amount			
At 31 December 2016	710	1,426	2,136
At 31 December 2017	442	440	882

The carrying value of the Group's core platform in development has been reduced to its recoverable amount through recognition of a total impairment loss of £880,000 in its UK and Ireland segment. The impairment loss has been reflected against internally generated software (£259,000) and externally generated software (£621,000). The impairment loss has been included as an exceptional item on the consolidated income statement (refer to note 6).

Impairment of an externally generated software intangible asset in its UK and Ireland segment representing capitalisation of a website has been identified. The carrying value of this asset has been reduced to £nil through recognition of an impairment loss of £440,000 against amortisation charges within administrative expenses.

Externally acquired software additions of £319,000 in the year include £86,000 relating to the Blink website recognised on acquisition (refer to note 32).

Notes to the financial statements continued

18. Property, plant and equipment

	Freehold land and property £'000	Leasehold improvements £'000	Computer systems £'000	Furniture and equipment £'000	Total £'000
Cost					
At 1 January 2016	7,278	5,446	28,525	6,030	47,279
Additions	—	140	390	62	592
Disposals	—	(89)	(1,165)	(120)	(1,374)
Exchange adjustments	—	125	312	101	538
At 1 January 2017	7,278	5,622	28,062	6,073	47,035
Additions	—	325	351	171	847
Disposals	(7,278)	(4,714)	(25,340)	(5,116)	(42,448)
Exchange adjustments	—	18	48	(7)	59
At 31 December 2017	—	1,251	3,121	1,121	5,493
Accumulated depreciation					
At 1 January 2016	4,351	5,235	28,309	5,882	43,777
Provided during the year	87	74	110	129	400
Disposals	—	(69)	(1,166)	(120)	(1,355)
Impairment reversal	(1,534)	—	—	—	(1,534)
Exchange adjustments	—	114	305	12	431
At 1 January 2017	2,904	5,354	27,558	5,903	41,719
Provided during the year	49	106	220	43	418
Disposals	(2,333)	(4,714)	(25,340)	(5,116)	(37,503)
Impairment reversal	(620)	114	—	—	(506)
Exchange adjustments	—	19	51	14	84
At 31 December 2017	—	879	2,489	844	4,212
Carrying amount					
At 31 December 2016	4,374	268	504	170	5,316
At 31 December 2017	—	372	632	277	1,281

During the current year the Group has recognised the reversal of prior year impairment in respect of the freehold land and property totalling £506,000. The reversal reflects a change in the basis of the recoverable amount to disposal value less costs to sell of £4,944,000. The impairment reversal has been recognised as an exceptional item through the consolidated income statement and relates to the UK and Ireland segment. The fair value basis is categorised within level 3 of the fair value hierarchy. On 30 June 2017, the Group disposed of the freehold land and property for total consideration of £5,325,000.

19. Investment in subsidiaries

Company	2017 £'000	2016 £'000
Cost and carrying value		
At 1 January	15,538	15,359
Acquisitions	13	179
At 31 December	15,551	15,538

The acquisition of £13,000 during the year (2016: £179,000) relates to share-based payment charges in relation to share options held by overseas employees, which are treated as capital contributions to the employing subsidiaries and are therefore recognised as investments in subsidiary companies.

Investments in Group entities at 31 December 2017 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%
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 Group Finance Limited	England & Wales	Ordinary shares	100%
CPP Holdings Limited	England & Wales	Ordinary shares	100%
CPP International Holdings Limited	England & Wales	Ordinary shares	100%
CPP Services Limited	England & Wales	Ordinary shares	100%
CPP Travel Services Limited	England & Wales	Ordinary shares	100%
CPP Group Services Limited	England & Wales	Ordinary shares	100%
Homecare (Holdings) Limited	England & Wales	Ordinary shares	100%
Homecare Insurance Limited	England & Wales	Ordinary shares	100%
Blink Innovation (UK) Limited	England & Wales	Ordinary shares	100%
Blink Innovation Limited	Ireland	Ordinary shares	100%
CPP Commercial Consulting Services (Shanghai) Co Limited	China	Ordinary shares	100%
CPP France SA	France	Ordinary shares	100%
CPP Creating Profitable Partnerships GmbH	Germany	Ordinary shares	100%
one call GmbH	Germany	Ordinary shares	100%
CPP Asia Limited	Hong Kong	Ordinary shares	100%
CPP Assistance Services Private Limited	India	Ordinary shares	100%
CPP Italia Srl	Italy	Ordinary shares	100%
CPP Malaysia Sdn. Bhd	Malaysia	Ordinary shares	100%
Servicios de Asistencia a Tarjetahabientes CPP Mexico, S. de R.L. de C.V.	Mexico	Ordinary shares	100%
Profesionales en Proteccion Individual, S. de R.L. de C.V.	Mexico	Ordinary shares	100%
CPP Mediacion Y Proteccion SL	Spain	Ordinary shares	100%
CPP Proteccion Y Servicios de Asistencia SAU	Spain	Ordinary shares	100%
CPP Real Life Services Support SL	Spain	Ordinary shares	100%
Key Line Auxiliar SL	Spain	Ordinary shares	100%
CPP Sigorta Aracilik Hizmetleri Anonim Sirketi	Turkey	Ordinary shares	99.99%
CPP Yardim ve Destek Hizmetleri Anonim Sirketi	Turkey	Ordinary shares	99.99%

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

The individual entities' registered addresses can be observed in the Company offices section on page 91.

Notes to the financial statements continued

20. Insurance assets

	2017 £'000	2016 £'000
Amounts due from policyholders and intermediaries	30	42
Deferred acquisition costs	—	20
	30	62

Reconciliation of movement in deferred acquisition costs

	2017 £'000	2016 £'000
At 1 January	20	100
Amortised during the year	(20)	(80)
At 31 December	—	20

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

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

Individually or collectively material insurance receivables are reviewed for recoverability when an adverse change in credit quality is identified or when they become overdue. Credit risk is reduced as insurance receivables are dispersed amongst a broad customer base. Credit risk is mitigated through maintaining and managing the customer base.

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

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

21. Inventories

	2017 £'000	2016 £'000
Consumables and supplies	65	40

22. Trade and other receivables

	Consolidated		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade receivables	6,050	4,872	—	—
Prepayments and accrued income	16,554	10,398	47	82
Amounts due from Group entities	—	—	73,996	71,472
Other debtors	1,512	1,721	86	45
	24,116	16,991	74,129	71,599

Trade and other receivables are predominantly non-interest bearing.

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

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

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

Where credit is offered to customers, the average credit period offered is 26 days (2016: 21 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.

There are no debtors (2016: £46,000) included in the Group's trade receivable balances which are past due at the reporting date, for which the Group has not provided as there has not been a significant change in credit quality and the Group believes that the amounts are still recoverable. All balances in the comparative period had been past due for less than 90 days.

22. Trade and other receivables continued

Movement in the allowance for doubtful receivables

	2017 £'000	2016 £'000
At 1 January	25	88
Decrease in allowance recognised in the income statement	(25)	(64)
Foreign exchange translation loss	—	1
At 31 December	—	25

23. Cash and cash equivalents

Consolidated cash and cash equivalents of £31,465,000 (2016: £28,250,000) comprises cash held on demand by the Group and short term deposits.

Cash and cash equivalents includes no cash required to be maintained by the Group's insurance business for solvency purposes. During the year the VVOP asset restrictions previously in place in the Group's regulated entities, HIL and CPPL, have been lifted. The VVOP previously prevented cash held within HIL and CPPL being distributed to the wider Group without the appropriate regulatory approval. The comparative cash and cash equivalents therefore included £18,727,000 which was held in HIL and CPPL either for solvency purposes or due to the VVOP restrictions.

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:

	2017 £'000	2016 £'000
AA	4,707	3,162
A	22,776	21,510
BBB	816	2,027
BB	1,387	1,414
B	50	—
Rating information not available	1,729	137
	31,465	28,250

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 £nil in both the current and prior years.

24. Insurance liabilities

	2017 £'000	2016 £'000
Claims reported	13	40
Claims incurred but not reported	13	40
Total claims	26	80
Unearned premium	680	783
Total insurance liabilities	706	863

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

Provision for unearned premiums

	2017 £'000	2016 £'000
At 1 January	783	996
Written in the year	2,302	4,140
Earned in the year	(2,405)	(4,353)
At 31 December	680	783

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

Notes to the financial statements continued

24. Insurance liabilities continued

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 2016	193	(5)	188
Cash (paid)/received for claims settled in the year	(485)	5	(480)
Increase in liabilities arising from current year claims	372	—	372
At 1 January 2017	80	—	80
Cash paid for claims settled in the year	(194)	—	(194)
Increase in liabilities arising from current year claims	140	—	140
At 31 December 2017	26	—	26

Equalisation reserve

	2017 £'000	2016 £'000
At 1 January	—	6,243
Transfer to retained earnings	—	(6,243)
At 31 December	—	—

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

25. Trade and other payables

	Consolidated		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Current liabilities				
Trade creditors and accruals	19,797	21,744	1,312	2,112
Other tax and social security	1,384	1,886	41	112
Other payables	1,246	1,753	—	—
Amounts payable to Group entities	—	—	18,755	19,139
Total trade and other payables	22,427	25,383	20,108	21,363

Trade creditors and accruals comprise amounts outstanding for trade purchases and ongoing costs. The average credit period for trade purchases is 31 days (2016: 37 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.

26. Borrowings

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

	Consolidated		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Bank overdrafts	—	—	6,736	1,604
Bank loans due in less than one year	—	—	—	—
Less: unamortised issue costs	(6)	—	—	—
Second Commission Deferral Agreement	—	1,391	—	—
Borrowings due within one year	(6)	1,391	6,736	1,604
Bank loans due outside of one year	—	—	—	—
Less: unamortised issue costs	—	(80)	—	—
Borrowings due outside of one year	—	(80)	—	—

26. Borrowings continued

Analysis of repayments:

	2017 £'000	2016 £'000
Within one year	—	1,391
In the second year	—	—
In the third to fifth years	—	—
Total repayments	—	1,391
Less: unamortised issue costs	(6)	(80)
Total carrying value	(6)	1,311

The Group's bank borrowing facility is in the form of a £5,000,000 revolving credit facility (RCF). The Group is entitled to roll over repayment of amounts drawn down, subject to all amounts outstanding falling due for repayment on expiry of the facility on 28 February 2018. At 31 December 2017, the Group has £5,000,000 undrawn committed borrowing facilities (2016: £5,000,000).

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

On 28 February 2018, the £5,000,000 RCF was extended for a three-year term to 28 February 2021. The extended RCF bears interest at a reduced variable rate of LIBOR plus a margin of 2.5%. The facility continues to be secured by fixed and floating charges on certain assets of the Group and has the same financial covenants as the previous facility.

The Second Commission Deferral Agreement related to an agreement with certain business partners to defer the payment of commissions for a period of two years to 31 January 2017. The agreement bore interest at a rate of 3.5% and was by secured charges over assets in CPPL. The Second Commission Deferral Agreement expired and was settled during the year.

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

	2017 %	2016 %
Bank loans	1.9	2.3
Second Commission Deferral Agreement	—	3.5
Weighted average	1.9	2.5

The bank loans weighted average interest rate of 1.9% (2016: 2.3%) comprises the interest rate charged on the drawn amount and the interest rate charged for the commitment on the undrawn element.

27. Provisions

	Onerous leases and associated costs 2017 £'000	Customer redress and associated costs 2017 £'000	Total 2017 £'000	Onerous leases and associated costs 2016 £'000	Customer redress and associated costs 2016 £'000	Total 2016 £'000
At 1 January	667	476	1,143	829	1,611	2,440
Charged/(credited) to the income statement	490	(307)	183	500	(100)	400
Customer redress and associated costs paid in the year	—	(169)	(169)	—	(1,035)	(1,035)
Utilisation of onerous lease and associated costs provision in the year	(667)	—	(667)	(662)	—	(662)
At 31 December	490	—	490	667	476	1,143

The onerous leases and associated costs provision carried forward from the prior year reflected the future lease payments and associated costs in the expected non-utilisation period at a vacated office in the UK. This provision of £667,000 has been fully utilised in the year. During the year an onerous leases and associated costs provision of £490,000 was identified on a further office in the UK.

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

The 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 within one year of the balance sheet date.

Notes to the financial statements continued

28. Deferred tax

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

Consolidated	Accelerated capital allowances £'000	Tax losses £'000	Share-based payments £'000	Other short term timing differences £'000	Total £'000
At 1 January 2016	(224)	—	164	404	344
Credited/(charged) to income statement	123	424	193	(313)	427
Credited to equity	—	—	(11)	—	(11)
Exchange differences	—	—	—	(45)	(45)
At 1 January 2017	(101)	424	346	46	715
Credited/(charged) to income statement	301	(424)	55	430	362
Charged to equity	—	—	113	—	113
Reclassification from current tax	—	—	—	364	364
At 31 December 2017	200	—	514	840	1,554

Company	Share-based payments £'000
At 1 January 2016	165
Credited to income statement	192
Credited to equity	(11)
At 1 January 2017	346
Credited to income statement	55
Charged to equity	113
At 31 December 2017	514

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	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Deferred tax assets	1,554	818	514	346
Deferred tax liabilities	—	(103)	—	—
	1,554	715	514	346

At the balance sheet date the Group has unused tax losses of £33,816,000 (2016: £35,033,000) available for offset against future profits. No deferred tax asset is recognised in respect of these losses (2016: £1,406,000). No deferred tax asset has been recognised in respect of the remainder of these losses due to the unpredictability of future profit streams in the underlying companies and restrictions on offset of taxable profits and losses between Group companies. Included in unrecognised deferred tax assets are losses of £4,631,000 (2016: £5,400,000) which, if not used, will expire between one to twelve years (2016: one to twelve years). Other losses will be carried forward indefinitely.

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

At the balance sheet date the Company has unused tax losses of £17,202,000 (2016: £17,202,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams in the Company and restrictions on offset of taxable profits and losses between Group companies. The losses can be carried forward indefinitely.

29. Financial instruments

Capital risk management

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

The Group does not have a target level of gearing but seeks to maintain an appropriate balance of debt and equity while aiming to provide returns for shareholders and benefits for other stakeholders. The Group's principal debt facility during the year was a £5.0 million RCF with an expiry date of 28 February 2018. The £5.0 million RCF was extended on 28 February 2018 for a three-year term to 28 February 2021.

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

Externally imposed capital requirement

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

Card Protection Plan Limited

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

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

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 2017, HIL's ratio of eligible funds to meet its Solvency Capital Requirement was 203%. 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

	2017 £'000	2016 £'000
Loans and receivables	39,060	34,589

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

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

Financial liabilities

	2017 £'000	2016 £'000
Financial liabilities at amortised cost	29,944	43,869

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

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

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 2017 was 52x (2016: 37x).

Notes to the financial statements continued

29. Financial instruments continued

Interest rate sensitivity analysis

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

	2017 £'000	2016 £'000
Decrease in loss before tax	558	652
Increase in shareholders' equity	558	652

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	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Euro	5,218	4,879	6,178	6,667
Indian rupee	4,748	3,770	9,030	4,996

Foreign currency sensitivity analysis

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

	Euro currency impact		Indian rupee currency impact	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Loss before tax	(69)	(135)	—	—
Shareholders' equity	(169)	(298)	(714)	(204)

Eurozone sensitivity analysis

The Group operates in countries with euro denominated currencies. Following the UK's decision to leave the European Union sterling has continued to weaken during the year against the euro exchange rate. As the UK moves through the exit process this has potential to result in further fluctuations in the euro which would impact the translation of the Group's results and represents a risk to the Group. The Group's ongoing Eurozone operations are in Germany, Ireland, Italy, Portugal and Spain. A 20% deterioration in the sterling to euro exchange rate throughout the year would have decreased Group profits relating to these Eurozone entities by £350,000 (2016: £459,000). With the exception of foreign exchange movements, the Group does not consider operations to be significantly at risk following the UK's decision to leave the European Union. Current business activities are wholly serviced within the country of operation and are not extensively conducted under passporting arrangements. This should reduce the potential risk to the Group's operations from the UK leaving the European Union.

Credit risk

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

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

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

Counterparty credit limits are determined in accordance with the Treasury Policy for cash and cash equivalents and the Counterparty and Credit Risk Policy for receivables. Any balance that falls into an overdue status is monitored. Further details of the monitoring of and provision for overdue debts are outlined for insurance assets in note 20 and trade and other receivables in note 22.

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

29. Financial instruments continued

Liquidity risk

The Group has a policy of repatriation and pooling of funding where possible in order to maximise the return on surplus cash or minimise the level of debt required. Group Treasury continually monitors the level of short term funding requirements and balances the need for short term funding with the long term funding needs of the Group. Additional undrawn facilities that the Group had at its disposal to further reduce liquidity risk are included in note 26.

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.

Liquidity and interest risk tables

Liabilities

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

	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	Over 5 years £'000	Total £'000
2016						
Non-interest bearing liabilities	9,800	12,762	3,067	2,924	—	28,553
Fixed rate instruments	1,399	15	67	15	—	1,496
	11,199	12,777	3,134	2,939	—	30,049
2017						
Non-interest bearing liabilities	8,918	5,508	8,302	998	86	23,812
Fixed rate instruments	8	15	68	15	—	106
	8,926	5,523	8,370	1,013	86	23,918

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
2016							
Non-interest bearing assets	n/a	4,670	517	217	935	—	6,339
Variable rate instruments	1.0%	21,309	4,994	1,942	5	—	28,250
		25,979	5,511	2,159	940	—	34,589
2017							
Non-interest bearing assets	n/a	5,041	756	1,520	277	—	7,594
Variable rate instruments	1.0%	16,824	14,637	—	5	—	31,466
		21,865	15,393	1,520	282	—	39,060

Notes to the financial statements continued

29. Financial instruments continued

Insurance risk

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

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

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

The Group's policy is to establish a specific claims 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 24.

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

Changes in rates of claims

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

A 10% deterioration in the loss ratio during the year would have resulted in a £14,000 decrease in profit before tax and reduction in shareholders' equity (2016: £37,000), 10% representing the Directors' assessment of the reasonably possible change in the loss ratio.

Changes in settlement cost per claim

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

Reliance on key suppliers

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

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

30. Share capital

	Ordinary shares of 1 penny each (thousands)	Deferred shares of 9 pence each (thousands)	Total (thousands)	Ordinary shares of 1 penny each £'000	Deferred shares of 9 pence each £'000	Total £'000
Called-up and allotted:						
At 1 January 2017	856,481	171,650	1,028,131	8,562	15,413	23,975
Issue of shares in connection with:						
Exercise of share options	339	—	339	3	—	3
At 31 December 2017	856,820	171,650	1,028,470	8,565	15,413	23,978

During the year, the Company issued 339,000 shares to option holders for total consideration of £3,397. Further details relating to share options are provided in note 31.

During the year 4,051,126 (2016: 711,874) ordinary shares held by the EBT were used to settle awards under the MSP and RSP. At 31 December 2017, the EBT holds no ordinary shares in the Company (2016: 4,051,126). The EBT has not purchased any shares in the current year. The value of shares held by the EBT to satisfy the MSP and RSP exercises has been recognised against the ESOP reserve. The increase in the ESOP reserve in the year is £327,000 (2016: £63,000 reduction).

Of the 856,820,499 ordinary shares in issue at 31 December 2017, 856,320,500 are fully paid and 499,999 are partly paid.

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

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

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

31. Share-based payment

Current share plans

Share-based payment charges comprise 2016 LTIP charges of £4,000 (2016: £582,000) and MSP charges of £277,000 (2016: £902,000). These costs are disclosed within administrative expenses, although the MSP share-based payment charge forms part of the MSP charges which is not included in underlying operating profit. MSP charges in the income statement are different to the share-based payment charge due to the recognition of employer's national insurance relating to future option exercises. There have been 16,197,000 options granted in the current year as part of the 2016 LTIP (2016: 26,050,000 options granted). There have been no MSP options granted in either the current or prior year.

	2017		2016	
	Number of share options (thousands)	Weighted average exercise price (£)	Number of share options (thousands)	Weighted average exercise price (£)
2016 LTIP				
Outstanding at 1 January	15,081	—	—	—
Granted during the year	16,197	—	26,050	—
Forfeited during the year	(8,727)	—	(10,969)	—
Outstanding at 31 December	22,551	—	15,081	—
MSP				
Outstanding at 1 January	17,665	0.01	36,135	0.01
Forfeited during the year	(2,611)	0.01	(14,111)	0.01
Exercised during the year	(4,385)	0.01	(4,359)	0.01
Outstanding at 31 December	10,669	0.01	17,665	0.01
Exercisable at 31 December	2,431	0.01	1,810	0.01

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

Options granted under the MSP have an exercise price of 1 penny and vest over a three-year period, with 25% vesting on the first anniversary of the grant date, 25% vesting on the second anniversary and 50% vesting on the third anniversary. Options lapse if not exercised within ten years of the grant date and will lapse if option holders cease to be employed by the Group or sell any of their investment shares. There have been no options granted in the current year (2016: nil) and options exercised in the current year total 4,385,000 (2016: 4,359,000).

The options outstanding at 31 December 2017 had a weighted average remaining contractual life of two years (2016: two years) in the 2016 LTIP and no years (2016: one year) in the MSP.

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

	LTIP 2016 April 2017	LTIP 2016 November 2017
Weighted average share price	£0.16	£0.13
Weighted average exercise price	£nil	£nil
Expected volatility	150%	150%
Expected life	3 years	3 years
Risk-free rate	0.67%	0.67%
Dividend yield	0%	0%

There have been 16,197,000 share options granted in the current year. The aggregate estimated fair value of the options and shares granted in the current year under the 2016 LTIP was £2,513,000.

Notes to the financial statements continued

31. Share-based payment continued

Legacy share plans

Administrative expenses include no charge (2016: £2,000) in relation to the 2010 LTIP, the RSP, the ShareSAVE Plan, the 2005 ESOP Scheme and the 2008 ESOP Scheme. There were no options granted in either the current or prior year under any of the Group's legacy plans. Following the Group's transfer to AIM, no further awards can be made under these share plans.

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

	2017		2016	
	Number of share options (thousands)	Weighted average exercise price (£)	Number of share options (thousands)	Weighted average exercise price (£)
2010 LTIP				
Outstanding at 1 January	—	—	800	—
Forfeited during the year	—	—	(800)	—
Outstanding at 31 December	—	—	—	—
RSP				
Outstanding at 1 January	122	—	154	—
Forfeited during the year	(66)	—	(32)	—
Exercised during the year	(6)	—	—	—
Outstanding at 31 December	50	—	122	—
Exercisable at 31 December	50	—	122	—
ShareSAVE Plan				
Outstanding at 1 January	—	—	7	1.46
Forfeited/cancelled during the year	—	—	(7)	1.46
Outstanding at 31 December	—	—	—	—
2005 ESOP Scheme				
Outstanding at 1 January	1,166	2.23	1,192	2.22
Lapsed during the year	(40)	0.82	(11)	0.82
Forfeited during the year	(20)	2.28	(15)	2.28
Outstanding at 31 December	1,106	2.28	1,166	2.23
Exercisable at 31 December	1,106	2.28	1,166	2.23
2008 ESOP Scheme				
Outstanding at 1 January	151	1.79	161	1.79
Forfeited during the year	(50)	1.79	(10)	1.79
Outstanding at 31 December	101	1.79	151	1.79
Exercisable at 31 December	101	1.79	151	1.79

All 2010 LTIP options were forfeited in the prior year as the performance conditions were not satisfied. No further awards can be made under this plan.

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

All ShareSAVE options were cancelled in the prior year. No further awards can be made under this plan.

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

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

32. Acquisition of a subsidiary

On 17 March 2017, the Group acquired 100% of the issued share capital of Blink for initial cash consideration of £862,000 (£1 million). The acquisition also allows for a further earn-out based on future profits and product development which is considered to represent remuneration rather than contingent consideration.

The net assets acquired and their provisional fair values at 17 March 2017 were:

		Book value £'000	Fair value £'000
Intangible assets	17	—	86
Net assets acquired		—	86
Goodwill	16	—	776
Cash consideration paid			862
Cash consideration paid			862
Acquisition costs			128
Cash acquired on acquisition			—
Total cash outflow			990

On acquisition, the carrying value of the net assets of Blink was £nil. The Group has made a fair value adjustment of £86,000 to recognise an intangible asset relating to the development of the Blink website. The acquisition remains within the measurement period and the Group continues to evaluate all identifiable assets and liabilities.

Goodwill of £776,000 reflects the discounted future cash flows of Blink's product offering (cancelled flight resolution), future development opportunities from the Blink team, as well as synergies to the Group from the acquired team's expertise.

Acquisition costs of £128,000 have been recognised as an administrative expense through the consolidated income statement.

Included within the Group's consolidated income statement is revenue of £nil and a loss before tax of £815,000 relating to Blink since the acquisition date and is the same as if the acquisition had occurred on 1 January 2017.

33. Reconciliation of operating cash flows

	2017 £'000	2016 £'000
Profit for the year	4,599	46
Adjustment for:		
Depreciation and amortisation	750	504
Equity settled share-based payment expense	270	1,486
Impairment loss on intangible assets	1,320	6,404
Reversal of freehold property impairment	(506)	(1,534)
Loss on disposal of property, plant and equipment	—	20
Investment revenues	(191)	(243)
Finance costs	313	325
Income tax credit	(1,174)	(1,342)
Operating cash flows before movements in working capital	5,381	5,666
(Increase)/decrease in inventories	(25)	2
Increase in receivables	(7,301)	(3,542)
Decrease in insurance assets	32	255
Increase/(decrease) in payables	4,666	(6,716)
Decrease in insurance liabilities	(157)	(326)
Decrease in provisions	(653)	(1,296)
Cash from/(used in) operations	1,943	(5,959)
Income taxes paid	(765)	(1,250)
Net cash from/(used in) operating activities	1,178	(7,209)

Notes to the financial statements continued

33. Reconciliation of operating cash flows continued

Reconciliation of net debt

	Note	At 1 January 2017 £'000	Cash flow £'000	Foreign exchange and other non-cash movements £'000	At 31 December 2017 £'000
Net cash per cash flow statement	23	28,250	3,106	109	31,465
Liabilities from financing:					
Borrowings due within one year					
- Repayment of Second Commission Deferral Agreement	26	(1,304)	1,304	6	6
- Capitalised interest on Second Commission Deferral Agreement		(87)	87	—	—
Borrowings due outside of one year					
- Unamortised issue costs	26	80	—	(80)	—
Total net debt		26,939	4,497	35	31,471

The capitalised interest of £87,000 paid in relation to the Second Commission Deferral Agreement is included within interest paid of £304,000 in the cash flow statement.

34. Commitments

Operating lease commitments

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

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

	2017 £'000	2016 £'000
Within one year	1,138	1,579
In the second to fifth years inclusive	1,515	2,036
After five years	23	—
	2,676	3,615

The total of future minimum sublease payments expected to be received under non-cancellable subleases at the end of the reporting period is £435,000 (2016: £593,000).

35. Related party transactions

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, a company owned by Mark Hamlin who is a Non-Executive Director of the Group, retains intellectual property in ORCL for which it is paid a license fee. The fee paid to ORCL by the Group in 2017 was £28,000 plus VAT (2016: £nil) and was payable under 30 days 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 years. The £5,000,000 facility commitment has been extended for a term of three years and remains available. The Company is party to a cross-guarantee in respect of a bank account netting arrangement in which it is a participant alongside certain other Group companies. 'Bank overdrafts' in borrowings includes £7,786,000 (2016: £1,605,000), which is held in a bank account subject to this arrangement.

35. Related party transactions continued**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:

	2017 £'000	2016 £'000
Short term employee benefits	2,421	2,697
Post-employment benefits	93	142
Termination benefits	253	817
Share-based payments	252	1,028
	3,019	4,684

Required disclosures regarding remuneration of the Directors are included in the Directors' remuneration report on pages 41 to 43.

36. Events after the balance sheet date

The Group completed a minority investment in KYND on 6 March 2018. The Group has acquired 20% of the share capital of KYND for a total consideration of £1.2 million. The consideration is payable in two tranches with £0.5 million paid on completion and a further £0.7 million payable following the satisfaction of certain conditions.

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: underlying operating profit and underlying earnings per share. Definitions of these are presented in the table below.

The Group reports revenue and underlying operating profit, on both a reported and constant currency basis. The constant currency basis, which is an APM, retranslates the current year reported revenues and underlying operating profits at the exchange rates applied in the prior year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the year-on-year reported results.

APM	Closest equivalent statutory measurement	Reconciling items to statutory measure	Definition and purposes
Underlying operating profit	Operating profit	Note 6 and 31	Operating profit before the impact of exceptional items and MSP charges. 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. This is a measure used within the Group's short term and long term incentive plans. Refer to the Remuneration Report on pages 41 to 43.
Underlying earnings per share	Earnings per share	Note 14	Profit after tax attributable to equity holders of the Company and before the impact of exceptional items and MSP charges (adjusted for tax), divided by the weighted average number of ordinary shares in issue during the financial year.
Revenue and underlying operating profit growth at constant currency	None	Not applicable	The year-on-year change in revenue and underlying operating profit retranslating the current year reported results at the exchange rates applied in the prior 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	None	Not applicable	The total number of active policies that provide continuing cover or services to policyholders.
Outsourced colleagues	None	Not applicable	The number of full time employee equivalents for which the Group has incurred expenses via an outsourced third party provider.
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 less borrowings.
Free cash/available cash	None	Not applicable	Total cash and cash equivalents less any restricted cash balances. The only potential restriction on current year cash is balances held for regulatory purposes. The comparative period also includes VVOP restricted funds.
Cost/income ratio	None	Not applicable	Cost of sales and administrative expenses excluding commission, exceptional items and MSP charges as a proportion of total revenue.

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Link Asset Services
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Beckenham
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BR3 4TU

By telephone +44 (0)20 8639 3399

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

Investor relations

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

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