Powered by collaboration and innovation CPP Group

Annual Report & Accounts 2018

Company registration number: 07151159

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Welcome to the CPP Group and our 2018 Annual Report.

CPP Group is a partner focused, global product and services company.

What we do

With insight, collaboration and innovation at our heart, we work with our partners to create technology-led propositions to meet business partner and customer needs.

These products deliver additional revenue and profit and generate customer loyalty for business partners, all packaged up with a fully managed brand enhancing customer experience. We are specialists in product distribution and position the sale of our products at optimal points in the customer journey of our partners' core products.

Our core products are Card Protection, Extended Warranty on electrical goods, Phone Insurance and Identity & Cyber Protection.

Read about our products & innovation
pages 24 and 25

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

How we do it

Technology increasingly runs through everything we do; it helps us deliver turnkey products at pace and enables us to blend our in-house products with those of third parties to meet evolving business partner landscapes. We design these through our people who are passionate to do the right thing and deliver a lasting customer experience.

Where we do it

We have over 30 years' experience in creating and distributing products and services to large scale businesses in the financial services and insurance sectors.

We are headquartered in Leeds in the UK and operate in 12 markets across Asia, Europe and Central America where our teams are deeply embedded in their local markets, providing unparalleled market expertise.

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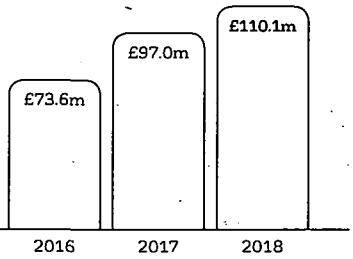
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Highlights

Financial highlights

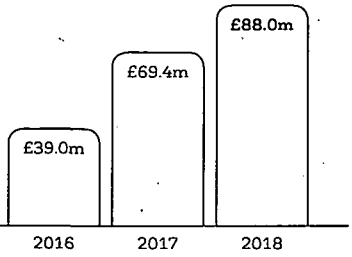
Revenue

£110.1m +13%



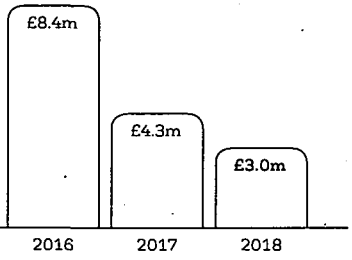
Revenue from Ongoing Operations

£88.0m +27%



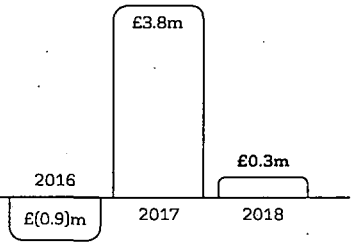
Underlying operating profit

£3.0m -29%



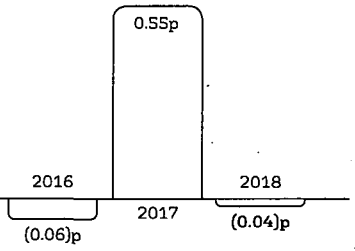
Profit/(loss) before tax

£0.3m -91%



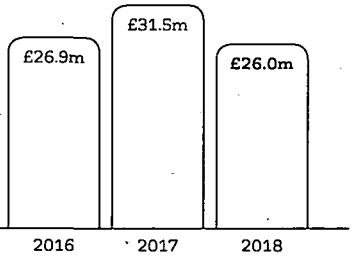
Basic (loss)/earnings per share

(0.04)p -107%



Net funds

£26.0m -17%



A list and explanation of our alternative performance measures (APMs) are provided in a glossary on pages 102 and 103.

Figures for the year ended 31 December 2017 have been restated to reflect the adoption of IFRS 15. See note 35 in the financial statements.

The percentage change figures above are based on year-on-year movements between our reported numbers. We are a Group that operates in many overseas markets and currency fluctuations impact our reported performance, as a result, all percentage change figures in the rest of the Group overview and strategic report (pages 4 to 41) are presented on a constant currency basis, unless otherwise stated. The constant currency basis is applied as a means of eliminating the effects of exchange rate movements on the year-on-year reported results. See our APMs on pages 102 and 103.

Operational highlights

Revenue growth

Revenue of £110.1 million is 13% higher than last year. Revenue in our Ongoing Operations has grown 27% to £88.0 million, which includes growth in our Indian market of 43%.

+13%

Strategic investments

Exciting investments in Globiva and KYND, start-ups which will create value whilst enabling further efficiencies in our value chain and enhancement of product capability.

Geographic expansion

Successful launch into new markets with our first sales in Bangladesh and Canada. Progress in our re-entry into the UK market.

Read about our locations
pages 22 and 23

Focus on technology

Increased investment in our InsurTech and digital capabilities to provide seamless engaging solutions to partners and customers alike.

Focus on efficiency

Streamlined our traditional European markets to harness the available operational efficiencies whilst realigning the cost base.

Significant customer growth

Customer numbers have grown by 50% to 8.2 million, including nearly 6 million customers in India.

8.2m

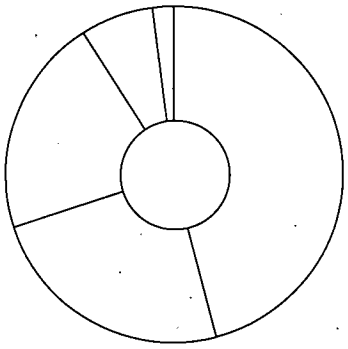
At a glance

CPP Group is a partner focused, global product and services company specialising in the financial services and insurance markets. We create products for our business partners that deliver commercial performance and generate loyalty through the delivery of meaningful solutions for their end customers.

Read about creating business partner value
pages 26 and 27

Our core products

£110.1m
revenue



Card Protection
£50.1m -1%
Provides emergency support if cards, keys and phones are lost or stolen

Extended Warranty
£26.5m +37%
Combines comprehensive warranty for electrical goods with a range of assistance services

Phone Insurance
£23.0m +86%
Phone Insurance, mobile payments insurance and virus protection

Identity & Cyber Protection
£7.9m -6%
Personal and SME protection against the growing threats of identity and cyber fraud

Other products
£2.6m +7%
Market specific products such as legal protection, auto cover and travel disruption solutions

Our numbers

8.2m
Customers (2017: 5.5m)

71.9%
Renewal rate (2017: 74.8%)

>250
Business partners
(2017: >250)

>550
Colleagues (2017: >550)

>4,500
Outsourced colleagues
(2017: >3,000)

Read about our APMs
pages 102 and 103

Where we sell

We operate in 12 markets across Asia, Europe and Central America, providing a flexible service to our business partners that is available through multiple distribution channels.

How we sell

Our products are sold to customers of large scale businesses through a business to business to consumer (B2B2C) model:

Ancillary retail products
CPP products are sold to the end customer as an ancillary sale to a partner's core products, generating revenue for CPP and commission for our partners whilst providing valuable products to their customers (e.g. a customer buys Phone Insurance following the purchase of a new mobile phone).

Embedded wholesale products
CPP products are an embedded benefit of a core business partner product. They enhance our partner's offering and create differentiation. (e.g. Card Protection embedded in a credit card account).

Our potential

We continue to progress our strategy of revenue growth, building new partnerships and capabilities for the future to strengthen our business for the long term.

Revenue growth

Our strategy of returning to our B2B2C heartland has resulted in significant revenue growth in 2018, up 18% from 2017 to £110.1 million. This is the second consecutive year of double digit revenue growth.

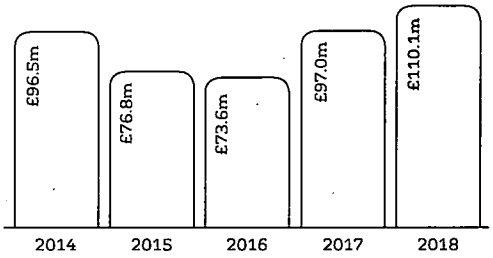
New business growth has come primarily from our Indian and Turkish markets.

We are well positioned to capitalise on our local presence in China, Mexico and Bangladesh, along with utilising product innovation, acquisitions and partnerships to revitalise our offerings and build capabilities in our traditional European markets.

We seek to build on this growth in 2019 as we roll out Card Protection and Phone Insurance at volume in Bangladesh. We aim to unlock the potential that the growing middle classes in Asia represent through the creation of a regional hub in South East Asia in 2019.

We have strengthened existing partnerships as we extend core contracts which will see us penetrate new channels with new products in 2019.

Revenue

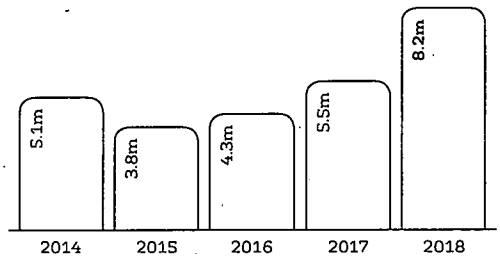


Read about our APMs on **pages 102 and 103**

Customer growth

We have grown new customer numbers at a faster rate than at any time in the Group's history with customer numbers increasing from 5.5 million to 8.2 million, with 5.9 million of these customers in India and 0.6 million in Turkey.

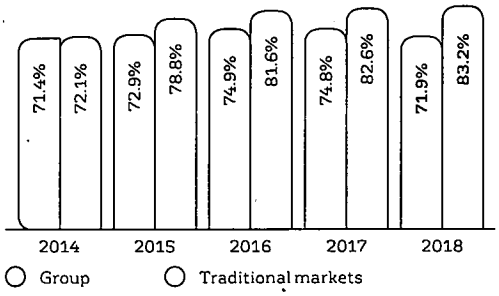
Customer numbers



Strong renewal portfolio in traditional markets

We have sustained strong renewal performance across the Group, which is important for profit and cash generation. Renewing business makes up 41% of the overall revenue generated by the business.

Renewal rate



The significant value held in our customer base generates ongoing revenue which fuels our investment in building capabilities for the future.

Our core product lines continue to grow and become increasingly relevant in fast growing economies around the world. Mobile phone penetration, cyber fraud and card usage are all growing and we are well positioned in these markets to capitalise on this growth.

A model for sustainable performance

The geographical mix of our business offers a balance of fast growth markets and more mature markets. Our global reach also offsets potential local volatility in the economic cycle in our markets.

Our business model has a strong track record in value creation and ensures we are agile and responsive to local market, business partner and consumer needs. These core strengths make our business partner relationships more robust.

We restructured our traditional businesses in the UK and Europe which will deliver significant cost savings from 2019 that will be reinvested into opportunities that build capability for our growth markets.

Investments to further technological capability

Our investment strategy sees us investing in markets where we see strong growth opportunities that enhance our core operational and product capabilities. This includes re-entry into the UK and entry into new markets such as South East Asia and investments in Globiva Services Private Limited (Globiva) and KYND Limited (KYND).

Technology as our future enabler

2019 will see us building on our capabilities and driving new partnerships and customer numbers through investment in our InsurTech and digital capabilities to create a future-focused technology platform.

This enabler will fast track our focus of being a technology-led business that delivers innovative products at pace – combined with seamless integration, turnkey solutions, digitally fulfilled products and data optimisation to improve the customer journey – all across a single technology platform.

Investments in our IT capabilities will ensure we can operate in local markets and serve business partner relationships effectively and compliantly.

Chairman's statement

Sir Richard Lapthorne
Chairman

2018 was a year of considerable progress in building the new CPP Group.

Progress to date
The reduction in our legacy UK business in recent years has created the need for the Group to reinvent itself and build on its considerable expertise in supplying products and services that give peace of mind to our customers, and to develop and grow in markets outside the UK. This reinvention is gathering momentum and in 2018 we saw our customer numbers in India reach nearly 6 million, an increase of 4.7 million customers (376%) since 2016. To add to our overseas operations we opened a new business in Bangladesh, where our B2B2C marketing model launched successfully with its first business partner. In 2018 we also saw the creation of a new UK business separate from our UK back book, which for the first time in six years enables the Group to develop and build a regulated sales business in the UK.

2018 represented continued progress in the Group's development as evidenced by the year's revenue growth in new markets and products which is exceeding the decline in our Restricted Operations. This performance in our growth markets and the investments we are making are expected to provide the platform for continued annual growth in turnover for the years ahead.

We have also been concentrating on shaping our long-term cost base to match the patterns of the digital age. Our EU businesses now operate as partner facing entities with a single support hub in Spain. In the UK back book business we have implemented a significant reduction in costs which will seek to maintain margins in line with the ongoing decline in its turnover. In India we have added an investment in a majority stake in Globiva, one of India's fastest growing business process management (BPM) companies, which gives us an in-house option for the rationalisation of back office cost structures. Equally, new product development has become a system integration activity, accessing and linking available applications, cutting both time and cost in bringing new concepts to market.

Culture and Values
We have little fixed capital employed. Our assets lie in our people and technology. Inevitably behaviours can vary according to local customs and traditions and we continue to invest in the development and maintenance of a high integrity Group culture; one which is open, honest and authentic. Leadership of this belief is apparent throughout the Board and we have an Executive Director specifically responsible for owning our values and developing our culture.

Governance
We continue to ensure we provide both quality time and opportunity for the Board to monitor the Group's performance. Board Committees cover the usual audit and remuneration matters and in addition our Risk and Compliance Committee monitors the application of Group policies and standards across the Group, overlaying the specific needs of external compliance where applicable. During the year the Board made the decision to adopt the Quoted Companies Alliance (QCA) Corporate Governance Code.

Performance measurement
The change to our reporting structure mentioned in my 2017 report, segmenting our results under the headings of Restricted Operations, Ongoing Operations and Central Functions, has enabled us to effectively ring-fence our declining UK back books. We also monitor performance by separating the costs of business growth projects charged to the income statement from the results produced by the day-to-day businesses, enabling greater clarity in longer-term margin planning.

Foreign currency translation has had a material effect on our 2018 earnings from both India and Turkey where the local currency's depreciation against the pound sterling were 3% and 32% respectively. Despite the weak pound we had little benefit in translating from markets with stronger exchange rates.

Looking ahead
Clearly, India was the star performer last year and we need to ensure future growth by adding value to the existing partner base as well as through expanding our partner coverage. China has now completed its new IT platform to conform with Chinese data residency requirements. This step, together with the strengthening of the local team, makes success in this market a key target for the Group.

During the first quarter of 2019, a new company in Singapore was incorporated to provide a South East Asia commercial hub which will provide access to business opportunities in adjacent markets.

The formalisation of our EU hub leaves us ideally placed to effectively respond to the eventualities of Brexit, which we do not anticipate having a significant impact on the day-to-day operations of the Group.

Our people
Once again, on behalf of the Board I would like to thank all colleagues for your commitment, hard work and loyalty during the year and look forward to working with you all as we continue to build and grow our business.

Sir Richard Lapthorne
Chairman
26 March 2019

Read about our corporate governance
pages 44 to 57

Chief Executive Officer's statement

2018 has been a year of continued good progress for the business; a year in which staying true to the core principles of our strategy has delivered strong revenue growth and fundamentally shifted the dynamics of the business. We have the platform to seize the opportunities that exist with our partners to provide them with the products and services we excel in.

Jason Walsh
Chief Executive Officer

It has been a busy year
Much has been achieved throughout the year, with many significant milestones being realised. We have again grown revenue and customer numbers, by 18% and 50% respectively, reflecting the continuing expansion of our dynamic businesses in India and Turkey. The renewal books in our traditional European markets have been well managed and continue to contribute to the growing revenue picture.

Distribution expertise
What differentiates CPP is our ability to develop and maintain long-term deep relationships with our distribution partners, using technology to enable delivery of end-to-end product and service solutions for their customers. Creating engaging user experiences and providing compelling, relevant products and services for the customers of our partners are what inspire us. It is this clarity of purpose that is driving our focus on continued development of our technological capabilities, creating a strong pipeline of digital services and products and placing the understanding of our partners and their end customer needs at the heart of everything we do, using it to further enhance our product delivery and customer experiences.

Strategic investments
Our strategy of targeted acquisitions and investments that either enhance our product capability or create increased efficiencies in our value chain continued during 2018. We have taken a majority stake in an Indian BPM company, Globiva, at a total cost of £2 million. Globiva will support the customer contact requirements of our growing Indian business as well as focusing on BPM support for third parties. In addition we paid £1.2 million for a minority interest of 20% in KYND, which has developed cyber risk management technology for businesses, and completed the acquisition of Valeos (2013) Limited (Valeos), a key cover provider which provides a customer base and product that our new UK team has enhanced with innovative digital solutions.

Read about our products & innovation
pages 24 and 25

Read about our APMs
pages 102 and 103

Cost control
The Group has an unrelenting emphasis on operational efficiency and cost control, and reinvesting the benefits from this into developing our growth markets, business partnerships and technology solutions. During 2018 we have undertaken extensive restructuring activities across our traditional European markets of Spain, Germany, Italy, Portugal and the UK. This action realigns the cost base and has enabled us to create significant operational efficiencies and plan for the impacts of Brexit through the formalisation of an EU operating hub in Madrid.

"Creating engaging user experiences and providing compelling, relevant products and services for the customers of our partners are what inspire us."

Chief Executive Officer's statement continued

"Our relentless drive to continually improve performance in our Ongoing Operations will see our operational infrastructure develop further, all with the clear strategic purpose of creating strong long-lasting partner relationships and customer engagement."

71.9%
annual renewal rate

>550
colleagues worldwide

5.4m
new customers in 2018

Our numbers show the progress we are making
We have repositioned the way we look at and report our business performance during the year. The new basis better reflects the way in which we allocate resources and manage our business. The previous regional basis has been replaced by three new segments: Restricted Operations; Ongoing Operations; and Central Functions.

Group revenue has increased by 18% compared to 2017, with revenue in our Ongoing Operations increasing by 35%. This growth has been led by excellent performance in India and Turkey where revenue has increased by 54% and 41% respectively. Our Indian performance reflects the continued growth of our Phone Insurance and Extended Warranty products with our key partner, Bajaj Finance Limited (Bajaj) along with growth in our Card Protection customer base. The partnership with Bajaj is a strong, valued relationship that we expect to continue to develop and grow in the future. In Turkey we have continued to develop strong relationships across a number of partners and channels; a diversified model that is serving us particularly well through the current economic uncertainty in this market. Reflecting this progress in our developing markets, customer numbers have also increased significantly by 50% during the year to 8.2 million. We have added 5.4 million new customers this year and have maintained strong renewal rate of 71.9% (2017: 74.8%). The renewal rate has reduced year on year which is expected as our fast growing renewal books in India and Turkey begin to outgrow the declining legacy books in our traditional European markets.

Group revenue has increased to £110.1 million (2017 restated: £97.0 million) where growth in our Indian market has more than compensated for the decline in revenue from the renewal books in our traditional European markets. As expected, the Group's reported profit performance has been impacted by three factors: firstly, exceptional restructuring costs in our European markets, which are not expected to recur; secondly, our investment into our business growth projects for the future; and thirdly, the effect of the ongoing rebalancing of our business whereby lower margin sales overseas are progressively replacing higher margin business in our declining back books in Europe. Our adjusted underlying operating profit, excluding exceptional items and investment costs, rose by 14%, from £5.2 million to £5.5 million, with an increased operating margin of 5% (2017 restated: 5%). However, after net exceptional costs of £3.1 million and investment costs of £2.5 million, we are reporting a reduced profit before tax of £0.3 million (2017 restated: £3.8 million).

We are expanding our reach
A key component of our strategy is to continue to expand our global reach by identifying markets where there will be large scale growth opportunities for our products and services. In addition we will focus on deepening our partner and product reach in existing markets where we see significant growth potential.

We have launched and have our first customers in Bangladesh. Card Protection is a new product to this market and we expect volumes to continue to grow in 2019, along with the launch of Phone Insurance where we believe there is a significant opportunity. In the UK we have developed a dynamic suite of technology-led key cover and cyber products and have signed our first new partner contract. Conversion of our strong sales pipeline in the UK and deploying these UK products into our other markets will be a key focus for 2019 and beyond.

Read about our APMs
pages 102 and 103

We have launched, through Blink, a travel disruption service with a partner in Canada and are in advanced discussions with other parties that have global exposure. This service is an example of the borderless propositions that we are seeking to develop, delivered through an innovative API driven systems platform. Further afield in Mexico we have launched the Extended Warranty product developed and pioneered in India, with Coppel, a top retailer in the country. In addition in Q1 2019, we created a South East Asian hub, based in Singapore, which will act as a regional management base to access adjacent markets and build upon our existing presence in Malaysia. This operational hub will be fully established in 2019.

Our people make the difference
Our people are crucial to our prosperity. Our colleagues bring an expertise in the markets that we operate in, along with a deep understanding of the needs of our partners and the end customer. It is this expertise and understanding that develops the deep relationships on which our success is based. Our decentralised operating model, which is now embedded, empowers our colleagues to demonstrate strong and progressive leadership to the benefit of the partners and customers that they represent.

How does the future look?
We will continue to follow our strategy, which is already showing positive results, and will continue to transform the business placing it in the strongest place possible to harness the extensive global opportunities that exist. Our relentless drive to continually improve performance in our Ongoing Operations will see our operational infrastructure develop further, all with the clear strategic purpose of creating strong long-lasting partner relationships and customer engagement.

Our strategy supports our growth ambitions and in 2019 we expect further good revenue growth again led by India, but with additional support from some of our other key markets. As part of this strategy, we will continue to invest in business growth opportunities for the medium term and this will continue to impact our reported profitability as it has in 2018. However, notwithstanding some degree of continuing global economic uncertainty, which inevitably affects partner and consumer confidence, we expect further progress in our performance when the effects of these investments are excluded. The Group has considered the potential impact of Brexit and due to its decentralised operating model does not expect it to have a significant impact on operations or performance.

The path we are following is the right one. We are pleased with the progress we are making and the valued partnerships that we are forming.

Jason Walsh
Chief Executive Officer
26 March 2019

Read about our people
pages 28 and 29

Our business model

A model for sustainable growth, long-term value and financial innovation.

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 experience 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 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 tailor our product offering to local market conditions. These products are either embedded in our business partners' core services or sold as ancillary products to their customers.

Distribution expertise

We are specialists at positioning our products at the right points of the customer journey within our partners' core products to maximise appeal and relevance across multiple channels.

Customer experience and retention

We create and manage the end-to-end experience for our business partners and their customers, delivering a brand enhancing user experience.

Strong customer engagement generates ongoing revenue streams for ourselves and our business partners.

3. Powered by our capabilities

We are market based

Our in-country teams make us agile and responsive and ready to identify opportunities for our business partners based on local market and consumer insights.

We have the strength of global knowledge

Our International Support Centre (ISC) enables the utilisation of shared capabilities, product development, digital delivery and best practice to boost performance at a market level.

Our colleagues collaborate

Our global business is built by talented and diverse colleagues in local markets who collaborate with each other to build synergies and share innovation.

We bring innovation

We help transform our business partners' products through leveraging our InsurTech capability combined with our local and ISC teams to drive product and service innovation in our local markets.

We consistently deliver

We take the complexity away from our business partners. We design, deliver and distribute products through digital technologies and manage the customer experience, allowing our business partners to focus on the delivery of their core business.

We have financial strength

Our capital strength enables us to invest in our colleagues, in strategic investments, and in the technical delivery of products and new markets.

4. The value we create

For business partners:

- Delivering additional revenue and profit.
- Transforming their products through technological innovation.
- Design and deliver products that add value to their customer base, driving loyalty and differentiation.
- Brand enhancing customer experiences.

For our customers:

- Protection of day-to-day assets.
- Assistance and peace of mind through products that bring convenience and control.
- Flexible customer experiences – people when you need them, technology when you don't.
- Event-based, automated claims processing to bring simplicity and improve usage.

For our shareholders:

- Focus on and expansion into growth markets to increase business value.
- Increased ownership of the value chain to improve margins.
- Investments in building capabilities and value, through InsurTech platforms and acquisitions.

For our colleagues:

- Investment in programmes to drive personal and career growth.
- Empowered to be brave and deliver change to the benefit of our business partners and the end customers.
- Global experience and impact.

For our innovation partners:

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

Our strategy

We continue to focus on our six strategic pillars to build on our existing capabilities but with an increased emphasis leveraging our InsurTech platform to deliver a product and distribution focused technology-enabled business. This capability will drive further product innovation, smarter end-to-end user experiences and deeper integration with our distribution partners.

1

Focus on our partner relationships

Key to our success is our commitment to and understanding of our business partners and their markets. We create, distribute and manage products for our business partners that deliver commercial benefits.

Key achievements for 2018

- Extension of key business partner contracts in high growth markets including with Bajaj in India.
- Over ten new partner contracts signed in 2018 across the Group.
- Established product supplier relationships that are supporting multiple markets.

Our focus for 2019

- Retain and grow our existing partnerships through multi-product and multi-channel strategies.
- Leverage our local partnerships into large scale global agreements.
- Deliver new large scale business partnership deals.

Read about creating business partner value **pages 26 and 27**

2

Cultural and organisational change

We want to keep our entrepreneurial spark and continue to be a fresh-thinking organisation. To do this we are creating the right culture to bring out the best in our people through 'Learn More, Be More', which is about personal and organisational growth.

Key achievements in 2018

- Continued investment in culture and people which is having a tangible impact on colleague and organisational progress.
- Formalised the EU Hub, freeing up our local leaders to drive business development.
- New office space in Turkey, China and Spain designed around culture.

Our focus for 2019

- Expand our global community of colleagues and opinion leaders to create synergies and best practice across our local markets.
- Create a global community that everyone wants to be part of, attracting and retaining the right people with the right capabilities to deliver growth.

Read about our people **pages 28 and 29**

3

Investment in growth markets

We continue to invest in and support parts of the business which present the best opportunities for long-term growth such as India, Mexico, Turkey and China.

Key achievements in 2018

- Extended our value chain in our Indian business with investment in Globiva.
- Developed the capability for and launched Extended Warranty in Mexico.
- Bespoke IT platform has gone live in China.

Our focus for 2019

- Invest in our colleagues, local skills and resources to increase autonomy of local markets with improved technological capability and end customer user experience.
- Grow customer numbers in Mexico and China.
- Improve profit margins in India through ownership of more of the value chain and via digital execution.
- Improvements in digital delivery through continual investments in InsurTech platform, customer experience programmes and acquisition targets.

Read about our local market achievements **pages 22 and 23**

4

Realignment of traditional markets

We continue to focus on creating sustainable performance in our European markets through the delivery of value to end customers, whilst delivering cost efficiencies.

Key achievements in 2018

- We have created efficiencies in the operating model and cost base of our UK and traditional European markets which is expected to lead to annualised savings in the range £4.0 million to £4.5 million.
- Maintained retention rate performance of core product lines at 83% through this transition.

Our focus for 2019

- To continue to maintain renewal performance and improve the customer journey, through digital experiences with a lower cost base.
- Embed the operational changes implemented through creation of the EU Hub.
- Investment into new UK business to deliver a successful re-entry into the UK market.

Read about our operational review **pages 30 and 31**

5

International expansion

We will continue to expand into new markets using our established successful businesses as launch pads for expansion.

Key achievements in 2018

- Launched in Bangladesh and signed our first partnership with Eastern Bank Limited (EBL), one of the largest retail banks in the market.
- Development of our borderless model where our products are delivered through our innovation platform across markets, removing the need for physical presence in countries.
- Entry into the Canadian market through our flight cancellation insurance with travel insurer Blue Cross.

Our focus for 2019

- Continue to utilise market knowledge and business partnerships to extend into adjacent local markets.
- Extend our global footprint through the creation of an operational hub in South East Asia.

Read about our market dynamics **pages 20 and 21**

6

Driving technology and product innovation

We continue to invest in technology to create a single CPP platform to drive deeper integration with partners, speed to market and product and service innovation.

Key achievements in 2018

- Investment stake in KYND to target a new market sector for CPP and build digital capabilities.
- Integrating smart and digital capabilities in existing product in existing markets.

Our focus for 2019

- Ongoing development and digital enhancement of core products.
- Build out our innovative technology platform to drive new product development and speed to market.
- Continue to work with innovative new start-ups to deliver solutions to meet ever evolving customer and business partner needs, making us more relevant to our business partners.
- Seek investment opportunities to enhance digital and technological capabilities across the Group.

Read about our products & innovation **pages 24 and 25**

Strategy in action

Driving growth and investing in our technology-led commercial innovation hub which provides partners with innovative solutions that solve commercial challenges and add value to their customers.

①

Focus on our partner relationships

Blink partnered with Blue Cross Canassurance in Canada to offer more to its traditional insurance product and ultimately crafted a new travel experience.

Today, global air travel connects hundreds of millions of passengers worldwide. However, delays are common and this is likely to become more of a problem as flights in Europe are set to grow by 53% by 2040 with airport capacity increasing by just 16%.

Our platform, developed by Blink, has created a unique customer experience for Blue Cross as it allows it to offer customers a real time solution to travel delays that delivers the speed and convenience that modern customers demand, eliminating the hassle of completing claims forms and giving instant access to an airport lounge, hotel bookings or a cash alternative in the event of a flight delay.

50,000

air passengers per day in Europe experience delays of two hours or more, forecast to increase to 470,000 by 2040.

Source: European Aviation in 2040, Eurocontrol 2018.

Our Accelerant class of 2018

②

Cultural and organisational change

We continue to power our growth through impactful people initiatives such as our Accelerant programme, which is all about developing leaders across the Group who learn high performance practices to pioneer change.

It is great to see our Accelerants graduate in celebration of the impact they have made aligned to key strategic events, such as global business partner focus.

③

Investment in growth markets

We boosted our ambitions in India with a £2 million investment in Globiva – a rapidly growing BPM company. The investment will provide us with a 61% stake in the business and enables us to extend our value chain and value add to our partners.

Our expansion in India allows us to provide a good foundation for Globiva to scale up through our own capacity, whilst at the same time utilising our extensive contacts to bolster its business development activities which will add to our profitability.

£65m

revenue in India

5.9m

customers in India

④

Realignment of traditional markets

Our UK business created an 'Everything Experience' initiative relating to Card Protection to help build on the excellent service already provided.

This campaign aims to enhance our existing conversations with customers by doing **everything** we can to raise awareness of policy features and benefits through providing a unique **experience**, hence the name - ensuring we do as much as we can for our customers at every interaction.

⑤

International expansion

Using our successful model in India, we entered Bangladesh in October with our first business partner, EBL, which is one of the biggest and most prominent retail banks in Bangladesh. We are working with EBL to sell Card Protection through the recently launched contact centre in Dhaka.

Bangladesh is one of the fastest growing economies and with around 90 million active internet subscribers, it is a growing giant in digital products and services (157 million mobile phone subscriptions). We plan to offer Phone Insurance to capitalise on the potential of the market and we are in talks with other leading financial institutions which are strong in retail banking and SME space.

Source:
Bangladesh Telecommunication Regulatory Commission or BTRC, January 2019

Our Bangladesh Country Manager, Dawood Siddiqui, signing the EBL contract.

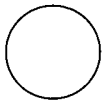
⑥

Driving technology and product innovation

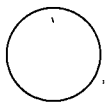
In 2018 we continued with our strategy of bolstering our innovative product catalogue and digital capabilities with a £1.2 million (20%) shareholding in SME cyber risk start-up KYND. The risks and costs associated with cyber threats are significant and KYND makes risks simple to understand, quick to monitor and easy to prevent.

We have re-entered the UK market signing our first new partnership with DeCyber Limited to provide a holistic product to help sports organisations and leisure businesses detect and manage cyber risks. The proposition includes KYND.

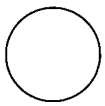
UK firms experiencing a cyber breach or attack in the last 12 months



40% within micro firms



47% within small firms



64% within medium firms

Source:
Cyber Breaches Survey 2018, UK Department for Digital, Culture, Media and Sport.

Our market dynamics

The Group is constantly tracking global trends and adapting products and building capabilities to suit local markets and Group strategies.

Read about our strategy
pages 16 and 17

Growth in the middle class

More than half the world's population (3.8 billion people) are now middle class, according to the World Data Lab. This is forecast to grow to 5.3 billion by 2030 (with almost 90% of the new middle class expected to be found in Asia[1]). China and India has seen the most growth in the middle classes to date but countries such as Indonesia, the Philippines and Vietnam are close behind due to steady GDP growth in the South East Asia region forecast for 5.6% in 2018 and 2019[2].

Market implications

- Increased demand for travel.
- Increased demand for household durables and mobile phones.
- Increased demand for consumer finance products, e.g. bank accounts, credit cards, retail finance, etc.
- There will be an increase in e-commerce.
- Insurers and retail banks will look to expand into these attractive markets.

CPP response

- Increasing penetration into Asian markets offering products that tap into the middle classes.
- Investments in China and India to build capabilities in product and technical delivery.
- Investments in online and mobile customer experiences to serve changing consumer expectations.
- Fostering relationships with existing and potential business partners in the region.

Link to strategy: 3 5 6

Changing partner landscapes

With the influx of investment into FinTech and InsurTech, the pace of change is increasing. This has resulted in evolving consumer expectations and disruption to traditional business models.

Some business partner markets are facing high competition and are increasing the range of services attached to payment cards and mobile apps to promote usage, whilst other business partner markets compete to acquire and retain customers in challenging economic environments.

Market implications

- Speed to market is an increasing priority for business partners.
- Partners will look to add more to their products and services in the form of ancillary benefits.
- We expect to see greater usage of personalisation technologies and delivery of simpler customer experiences to improve acquisition and retention.
- Business partners are looking to innovate and are bringing in InsurTech and FinTech to help them do this.

CPP response

- Through InsurTech capabilities, we are helping large scale insurers innovate their core products.
- Closer working relationships across our local markets and with product suppliers to better address customer needs.
- We continually invest in our innovation and technical delivery to bring new capabilities and solutions to business partners.
- Increasingly technology-led product and service set.

Link to strategy: 1 2 6

Key to strategy:

1. Focus on our partner relationships
2. Cultural and organisational change
3. Investment in growth markets
4. Realignment of traditional markets
5. International expansion
6. Driving technology and product innovation

Sources:

1. World Data Lab, 2018.
2. IMF: Regional Economic Outlook: Asia Pacific. May 2018.
3. Euromonitor: Mobile phones in India, August 2018.

A digital world

Going online has become a part of daily life, with customers accessing services and managing finances online on a regular basis.

This use of data has transformed most marketplaces. In the travel category in China and India we have witnessed a rise in the adoption of various facilities such as VR-based experiential booking support.

Markets such as India saw mid-range smartphone handset numbers grow to 135.5 million units in 2018[3]. In markets where smartphone penetration is already high, consumers prefer to use their smartphones to access the internet or use social media, instant messaging, etc. This familiarity will see increases in online access for financial services and travel services.

Market implications

- Cyberspace is constantly evolving and, with the increased use of online services for consumers and cloud-based platforms for businesses, there is a need for data to be protected from cyber risks.
- There will be a requirement to enhance mobile user engagement through integrating multiple and diversified services.
- We expect travellers to become more digitally connected in the coming years.
- Increase in on-demand, connected products that consumers can access on the go.

CPP response

- Building a mobile first acquisition and in-life customer experience that provides partners with routes for multi-channel acquisition and distribution.
- Widen offerings in the travel sector to protect all elements of the traveller's trip, developing solutions to invisibly protect all elements of a trip.
- To further develop propositions in the cyber, data and identity protection category.
- Evolution of Phone Insurance to include pick up and drop off services and vertical integration to add real differentiation to the product and service.

Link to strategy: 1 3 4 6

Our local market achievements

Our markets are responding to global and local trends to deliver business partner value and growth to the CPP Group.

Read about our strategy
pages 16 and 17

2018

creation of a vibrant and entrepreneurial UK team

CPP UK

- 2018 saw the creation of a vibrant and entrepreneurial team to re-enter the UK market.
- Development of innovative technology-led propositions, leveraging investment in KYND and our acquisition of Valeos.

Link to strategy: 1 4 6

Ireland (Blink)

- New partnership in Canada for flight disruption insurance.
- Deployment of InsurTech platform to deliver data monitoring service in Turkey.

Link to strategy: 5 6

CPP EU Hub

- 2018 involved significant change which brought together Spain, Portugal, Italy and Germany into one EU Hub based in Madrid to create operational efficiencies whilst retaining a presence in the local markets to foster existing and future relationships.
- 83% customer retention rates delivering inherent business value.

Link to strategy: 2 4

CPP Turkey

- Signed 11 new contracts for channel and product development opportunities from existing clients.
- Investment in new dialler system technology to increase in-house service centre efficiency.
- In response to the challenging economic conditions CPP Turkey's outsourced telemarketing team's location was moved from Istanbul to a regional location to increase efficiency and reduce costs.

Link to strategy: 1 3 6

83%

EU Hub customer retention rates

11

Turkey new contracts

CPP India

- Extension of our contract with Bajaj including launch of new lifestyle products.
- New partnership with American Express to distribute Card Protection.
- Acquisition of Globiva to add to our ownership of the value chain and the potential of a growing BPM business.
- Data residency project commenced to satisfy local regulatory changes and provide further autonomy to local management.

Link to strategy: (1) (3) (6)

CPP Bangladesh

- Country launch in April 2018.
- First business partner, EBL, launched in November 2018.

Link to strategy: (3) (5)

CPP Mexico

- 2018 was a year of building strong foundations as we embedded a new leadership team to relaunch the business.
- Implemented the Extended Warranty product with a major retail partner in company record time.

Link to strategy: (1) (2)

CPP China

- Implementation of standalone IT system increasing digital capability.
- New bespoke product launches to meet specific market and partner demands.

Link to strategy: (1) (3) (6)

Key to strategy:

(1) Focus on our partner relationships
(2) Cultural and organisational change
(3) Investment in growth markets
(4) Realignment of traditional markets
(5) International expansion
(6) Driving technology and product innovation

Our products & innovation

We create and deliver innovative products for business partners that are designed to provide peace of mind to their customers by reducing the stresses of day-to-day life.

Our core product lines

We operate five core product lines which are deployed across multiple countries and make up over 90% of the Group's revenue. Our products are designed to make our business partners' core products and services better – adding critical value and differentiation, all with a fully managed customer experience.

Extended Warranty

One of the major success stories for CPP in 2018 has been the growth of our Extended Warranty product suite. Our approach to the Extended Warranty product category differentiates our offering to competitors by blending a range of relevant assistance benefits with Extended Warranty cover for electrical goods. The assistance benefits include a range of CPP products (card and mobile loss reporting and dark web monitoring) and third party services (virus protection, roadside assistance and TV/movie screening), blended together to meet the needs of the business partner customer base.

In 2018 we sold over 1.0 million Extended Warranty products in our Indian market and have launched in Mexico with one of the leading retailers in the country using the same model as our Indian business. This is a demonstration of how we are leveraging successful products and models in one country to deploy and accelerate growth in other key markets.

Identity & Cyber Protection

Identity Protection products make up a significant element of Group revenue through established products in both the UK and Turkey. We are evolving this product line to grow distribution in these markets and across the wider Group through the introduction of a suite of consumer and SME cyber security products, including in-house developed products such as dark web monitoring, investments such as KYND and third party technology services. This development will protect the existing business and also allow this product category to grow across all our markets where we are seeing high levels of demand for these services.

Card Protection

Our Card Protection product range offers help and support to consumers who have lost access to their payment cards, keys and mobile phones. We provide immediate, 24/7 help and financial protection to customers who rely upon these items in their day-to-day lives. Card Protection is a strong lead product in newly launched markets and we continue to evolve this product range in line with changing consumer needs and technological advances by introducing cover for mobile wallets as well as physical cards.

Phone Insurance

Smartphone adoption in our high growth markets such as India and Mexico continues to grow significantly (by 2030 it is projected that 88% of households in Mexico will possess smartphones), as does the usage of these devices. As a result there is a need to protect this valuable asset and the personal data stored on the device. We provide insurance and a full service proposition for new phones which are bought in India and plan to launch this proposition into other markets in 2019.

Source:
Euromonitor Mobile phones in Mexico, August 2018

Travel

We have launched, through Blink, an innovative flight disruption product to help consumers deal with the disruption of cancelled or delayed flights, providing immediate resolution through technology. We provide customers with lounge access, cash payments, hotel stays or flight rebooking services immediately with no claims process. This product line is transforming core travel insurance products, putting the customer and technology front and centre of the product offering.

Our approach to innovation

We have a multi-faceted approach to innovation that makes us agile and able to respond to local market landscapes and evolving consumer needs.

InsurTech

Through our InsurTech investments we are pioneering innovation in the insurance sector, delivering products through their data driven insurance platform to transform business partner core products and customer experience through technology and smart product thinking. Our InsurTech team works closely with our local market teams, as well as delivering products and services through the platform into countries where CPP has no physical presence.

Investments and acquisitions

We continue to make strategic investments into technology-enabled product and service providers to bring new capability into the business. In 2018 we invested in KYND, Globiva and Valeos. These investments and acquisitions are a key part of our innovation story which sees us expand our ownership of the value chain and brings in new capability to meet the needs of our business partners.

Local market innovation

We leverage in-house developed products and third party services to create relevant propositions to sell through our business partners. Our local teams understand their business partner and customer needs and so are best placed to create products and services to meet these local needs, leveraging best practice and innovation from across the Group and other markets.

Creating business partner value

Offer more...

CPP Group work with business partners to offer them more

We offer more in terms of capabilities to transform their customer experience, to bring innovation to their business and create products at pace to deliver strong performance.

We offer more in terms of committing to their business and their customers. We are constantly guided by our business partner and customer needs and this gives us a powerful advantage in understanding their market, matched by exploring new ways of working and designing our commercial models to suit their local needs and challenges.

Bringing innovation to partners

"We are excited to be the first travel insurance company in Canada to offer this innovative travel disruption solution to our customers. Technology is key to providing a unique customer experience and we believe Blink's platform is best in class for delivering true innovation in travel insurance."

Sylvain Charbonneau, President and CEO, Blue Cross Canassurance Group

Blue Cross Canassurance Group is a leader in health and travel insurance in Canada, standing out for its traveller assistance services.

Putting partners' customers first

"For Coppel, service for our customers means everything. That is why we look for long-term commercial partners where the customer is always first. Because of this, we are pleased to have CPP as a commercial partner, as we are initialising the "Protección Extendida Coppel" offer with an added value product for our customers. It has started with very positive results and we are convinced it will be a great success story."

Jaaziel Barajas, National Insurance Manager, Coppel

Coppel is a nationwide department store in Mexico. It is one of the 100 largest companies in Mexico with over 1,200 branches (2018).

Creating sustainable value

"Partnering with CPP India for the last four 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 a 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 CPP 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 Limited

Bajaj Finserv is an Indian non-banking financial company focused on consumer finance, asset management, wealth management and insurance.

Commitment to our partners' business

"Working with CPP is a pleasure. You are honest and professional and you have a clear focus on customer and product satisfaction."

Bárbara Uribe, Commercial Officer, Vodafone España

Vodafone España is a mobile telecommunications operator in Spain.

Integral to our partners

"Our successful business partnership with CPP Turkey, which has been continuing for more than ten years, has an important place in Denizbank's multi-channel product and sales strategy. Thanks to CPP Turkey for successful call centre sales and effective use of DenizBank branch channel campaigns. CPP continues to be one of the most important business partners of DenizBank."

Oguzhan Ozark, Assistant General Manager of Retail Banking

Denizbank is a large private bank in Turkey.

...mean more

We offer more so that our business partners mean more to their customers, and we in turn mean more to our business partners.

Our people

Just as our organisation recognises that value creation lies in our B2B2C model, culturally we recognise that successful business transformation depends on our people.

Justine Shaw
People & Culture Director

We are a people business. There is nothing that makes us successful that is done without the initiative of our people, which is why we set about investing in the right culture and people to meet our growth aspirations.

It is clear this investment is adding value and supporting the success of our organisation and people. To understand our cultural impact we invited colleagues to tell us how we are doing through a global conversation.

76%
of those that took part in our global conversation said they had noticed positive changes to the culture at CPP during 2018

Throughout 2018 a key focus was on becoming deliberately developmental, adopting innovative approaches to power growth whilst getting better at anticipating changes so that we can act now and adapt to the ever evolving external environment.

We have also shaped our culture towards greater empowerment and openness. It feels right to encourage our people to be honest, positive, demanding and authentic. Cultural hallmarks reflect the progressive, human and unique personality of our global community. Role modelling the behaviours we value continues to reflect the spirit of our culture, which will drive commercial success.

Our Values

Keeping things simple | **Being brave** | **Consider it done** | **Curiosity** | **Working together**

Driving our cultural transformation
To power our growth we have aligned our culture, performance and strategy by creating a strategic roadmap of events that supports our vision. Colleagues are clear on how their work contributes towards these and the impact their performance has on reaching our goals. In recognition of impactful contribution we link strategic event successes to remuneration and reward.

We have continued to invest in creating the right conditions to enable our people to be at their best. Colleagues in our UK-based ISC are now thriving in a ground-breaking space that any organisation would be proud of. Our markets in Spain, Turkey and China have also invested in vibrant surroundings that encourage our people to collaborate and innovate within a supportive, creative environment.

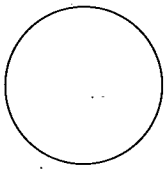
We have taken an innovative approach to drive transformation through deeply immersing our leaders in the psychology of culture and change. This has enabled them to role model a consistent culture across the Group that empowers everyone to be the best version of themselves.

Team-based coaching has taken place in markets such as Turkey, India and Spain plus functionally within Group IT, Finance and the People team. As we take steps to introduce more efficient operating models we are conscious of the impact that change can have on colleagues. Leaders and managers have dedicated time supporting our people through the change curve, helping colleagues to manage change in ways that work for them.

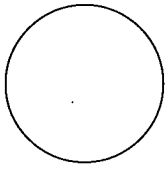
Now in its fourth year, we invite developing leaders to join our Accelerant programme, where they learn high performance practices that enable them to pioneer business change and cultural transformation whilst nurturing personal growth.

Those involved discover innovative approaches to help them achieve more, learn faster and live better. We now have change agents in all markets that can be deployed anywhere in the organisation to accelerate change.

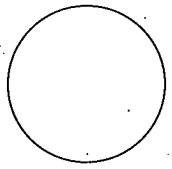
How we talk about performance
During 2018 we took a radically different approach to performance appraisals – no paperwork, rating systems or talent boxes because we realised this approach wasn't driving performance or adding value. Therefore we made ground-breaking changes that encourage colleagues to have impactful discussions with their line managers on a regular basis, talking openly about achievements whilst anticipating the next change and how to adapt to drive successful outcomes. We think of these 'Great Performance Conversations' as our insurance policy to ensure people are motivated, engaged and have the encouragement and coaching they need to be successful, fuelling personal and business growth. We know this approach is working because our people told us through a global conversation:



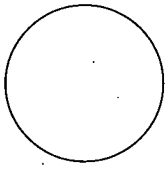
72%
felt their manager was a consistently good coach



67%
said they had benefited from a 'Great Performance Conversation'



62%
said they felt they are getting the right amount of feedback about how they are doing



62%
felt they routinely get to do what they do best and are learning new skills as well

We continue to celebrate great behaviours through our global recognition scheme, STAR. We are also providing more real time feedback because when we spot someone doing something really well we want to make sure they know about it. Showing appreciation to those who make a positive impact is part of the CPP way because we know our achievements are a result of the significant contributions from our people. We are pleased our people are feeling appreciated.

67%
had been praised for something they did at work

The journey is not complete
We will maintain this relentless focus on culture and continue to check in with our people to see how we're doing. We will evolve our focus on being deliberately developmental through 'Learn More, Be More' providing all of our people with opportunities to develop aligned to personal and organisational growth.

The momentum in creating a CPP community that our people want to be part of continues to build. We are making great progress in creating conditions that bring out the best in our colleagues in a human, authentic, supportive way and we will continue to invest in people and culture as we grow the business and achieve our commercial ambitions.

Operational review

The Group has repositioned its segmental reporting in 2018, with the previous regional basis being replaced by three new segments:

1) Restricted Operations - we are not seeking any new business opportunities in the historic back books of our legacy regulated entities in the UK; Card Protection Plan Limited (CPPL) and its overseas branches; and Homecare Insurance Limited (HIL). The priority in these operations is maintaining strong renewal rates through good governance and excellent customer service delivered in a cost effective way.

2) Ongoing Operations - this segment represents those markets and initiatives where we continue to invest and drive new business opportunities.

3) Central Functions - includes those costs that are necessary to provide central expertise for an AIM-listed Group operating in a variety of regulated markets. Central Functions are stated after the recharge of central costs that are appropriate to transfer to both Restricted and Ongoing Operations for statutory purposes.

Market trends 2018

	Revenue (£)	Underlying operating profit (£)	New sales (£)	Renewal rates (%)
Restricted Operations	↓	↑	—	↑
Ongoing Operations				
India	↑	↑	↑	↑
Spain	↓	↓	↓	—
Turkey	↑	↑	↑	↓
Germany	↓	↓	—	—
Mexico	↓	↓	↓	↑
China	↑	↓	↓	—
Italy	↓	↓	—	↓
Portugal	↑	↑	—	↑
UK	↑	↓	↑	—
Bangladesh	↑	↓	↑	—
Blink	↑	↓	↑	—
Malaysia	↑	↓	—	↓

↑ Increase — Level ↓ Decrease

Restricted Operations

Financial performance
As expected, revenue has decreased in this sector by 20% compared to the same period in 2017, to £22.0 million (2017: £27.7 million). The underlying operating profit has increased to £10.1 million (2017: £9.7 million).

Review
Revenue from Restricted Operations accounted for 20% of the Group's full year revenue in 2018. Sound governance and excellent customer service remain pivotal to the servicing of these mature policy books. The renewal books in the UK and Italy continue to perform well and, as a demonstration of the ongoing value that customers place in our products and service, we are pleased that renewal rates within this segment remain strong at 83% (2017: 82%). In addition, to focus our efforts in this segment we opted to close the small remaining book in Hong Kong during 2018.

Ongoing Operations

Financial performance
Revenue has increased by 35% compared to the same period in 2017, to £88.0 million (2017 restated: £69.4 million). Underlying operating profit has decreased by £2.0 million from £1.7 million to a loss of £0.3 million. This segment includes markets where we are investing for the future; when excluding costs relating to these investments for growth, adjusted underlying operating performance is a profit of £1.9 million (2017 restated: £2.6 million).

Review
Our Ongoing Operations are the focus of our growth strategy through partner engagement, product innovation and new market development.

Growth in our Ongoing Operations has again been led by India, building on strong business partner relationships to deliver record sales volumes and revenues. Continued expansion of sales in Extended Warranty and Phone Insurance through our partner Bajaj has driven the growth. We extended this relationship during the year for a further three years into late 2021. Our Card Protection portfolio continues to grow through strengthening of existing, and the introduction of new, business partner relationships.

We continue to see strong development opportunities within the Indian market and are investing in capabilities accordingly. Digitalisation to enhance customer take-up and retention are key priorities. The investment in Globiva will play a key part in our ongoing margin improvement strategy in India.

Read about our APMs **pages 102 and 103**

Despite challenging economic conditions, the Turkish business has demonstrated strong growth with a 47% increase in customers. An exemplar of the CPP approach, the Turkish business demonstrates a multiple business partner, product and channel model built on strong trusted relationships. During 2018 we expanded take-up of Owl and will continue to develop the available suite of products. Whilst financial sector conditions will challenge growth rates in 2019, efficiencies through call centre investment are expected to support performance.

A strategically important market to the Group, investment in the infrastructure and leadership team of our China business has sought to meet the unique challenges of operating in this marketplace. We expect to leverage our investment to build on client relationships in 2019.

We have implemented the EU hub model centred in Madrid to drive efficiency across the region, reduce the cost base and allow greater focus on invigorating commercial development. Restructuring activities materially completed during the final quarter of 2018 resulted in a reduced operation in Italy focused on commercial development, a reduced back office headcount in Spain and the transfer of all German customer service to Madrid. New revenue generation within the EU Hub is not yet at a level to offset the reduction in their renewal books.

We were pleased to be able to announce the first tangible steps of re-entry into the UK market with generation of initial revenue through the acquisition of Valeos, a key cover provider in the UK. In addition we are pleased with the signing of a first business partner contract for provision of cyber security products. Good progress is being made in developing a product suite that resonates with prospective business partners across a range of industries.

Having realised our first Card Protection product sales in Bangladesh during December 2018 we see strong opportunity for product set expansion.

We continue to investigate other opportunities to further expand our geographical presence. In accordance with our focus on markets that have a strong affinity to our existing operations and large accessible populations for our product set. Initial efforts are underway to establish a stronger presence, beyond our existing Malaysian operations, in South East Asia.

Central Functions

Financial performance
The Central Functions cost base has reduced to £6.5 million (2017: £7.1 million). This comprises the ISC and IT function. Central costs have reduced by £0.6 million, reflecting the full year benefit of the organisational restructure to slim down and repurpose the ISC. Cost control and efficiency of Central Functions remain a key priority for the Group.

Financial review

Oliver Laird
Chief Financial Officer

	2018 £'m	2017 Restated[1] £'m
Revenue	**110.1**	97.0
Gross profit	**41.1**	42.2
Administrative expenses[2]	**(37.8)**	(37.9)
Share of loss of joint ventures	**(0.2)**	—
Underlying operating profit	**3.0**	4.3
Exceptional items	**(3.1)**	(0.1)
MSP charges	**(0.1)**	(0.3)
Reported operating (loss)/profit	**(0.2)**	3.9
Net finance income/(costs)	**0.5**	(0.1)
Reported profit before tax	**0.3**	3.8
Basic (loss)/earnings per share (pence)	**(0.04)**	0.55
Net assets	**16.3**	15.5
Net funds	**26.0**	31.5

1. Restated to reflect the adoption of IFRS 15. Refer to note 35.
2. Excluding exceptional items and Matching Share Plan (MSP) charges.

The Group has grown its revenue and customer numbers in the year. This performance reflects the value that customers are placing on the compelling and innovative products and services that we provide. It is the strength of our partnerships and propositions and the way that we deliver them that will ensure sustainable success for the business.

We have grown revenue by 18% to £110.1 million, which has been underpinned by continued growth in our Indian business. We have grown customer numbers in this market by 95% in the year, the majority of which has come from our valued partnership with Bajaj. Turkey has also contributed strongly, growing revenue and customer numbers by 41% and 47% respectively. This performance is even more impressive in light of the current economic uncertainty in the market.

Underlying operating profit has reduced in the year to £3.0 million (2017 restated: £4.3 million). However, the Group is focusing on the long-term sustainability of the business and is investing in business growth projects that are loss-making at present, but will deliver revenue and profit in the future. Excluding the impact of these investments for growth the Group's adjusted underlying operating profit would be 14% higher than 2017 at £5.5 million (2017 restated: £5.2 million) and the adjusted underlying operating profit margin would be 5% (2017 restated: 5%).

Read about our APMs
pages 102 and 103

We have made a number of significant investments during 2018. We have committed to investing £2.0 million for a 61% stake in the Indian BPM Globiva. At 31 December 2018, we have a controlling holding of 51% following investment of £1.4 million. The final tranche of £0.6 million will be paid in April 2019; this will increase our interest to 61%. We have invested £1.2 million for a 20% stake in the innovative, technology-led cyber business, KYND. This business will enhance our product set as well as providing wider market opportunities. Finally, we acquired Valeos for £0.1 million, which provides a customer base and product capability to our relaunched UK business.

To enable continued investment and market expansion, cost control remains a key priority. Whilst parts of our business are showing great progression, our traditional European markets of Spain, Germany, Italy, Portugal and the UK have struggled to add new business at a level that outstrips the decline in their historic renewal books. As a result it was appropriate to right size the cost base in these markets during the year. This restructuring activity has led to significant exceptional costs of £3.5 million in 2018; however, it is anticipated that this decisive action will lead to annualised cost savings in the range £4.0 million to £4.5 million.

The profile of our business continues to shift. Revenue and customer growth is being led by our developing markets, whilst the historic European renewal books continue to naturally decline. Whilst this dynamic is driving revenue growth, it is naturally pressuring our gross profit margins as our Indian market in particular has higher costs associated with sales than the European back books that it is replacing. We therefore expect gross profit margins to settle at a lower level in the medium term. We expect investment in the value chain and digital capability to improve margin in the longer term.

IFRS 15

The new revenue standard, IFRS 15 was adopted by the Group at the beginning of 2018. The principles of the standard have led to a significant change in revenue timing in our Indian business, with an increase in revenue recognised on inception of a policy. The Group has applied the fully retrospective method on adoption, resulting in 2017 comparative information being restated to provide a comparable year-on-year picture of the progress we are making. Further detail of our IFRS 15 transition is provided in note 35 of the financial statements.

Financial review continued

Segmental performance

Revenue	2018 £'m	2017 Restated[1] £'m	Change	Constant currency change
Restricted Operations	**22.0**	27.7	(20)%	(20)%
Ongoing Operations				
India	**65.3**	45.6	43%	54%
Spain	**10.5**	11.3	(7)%	(8)%
Turkey	**4.5**	4.3	6%	41%
Germany	**3.6**	4.2	(14)%	(15)%
Rest of World[2]	**4.0**	3.9	2%	3%
Total Ongoing Operations	**88.0**	69.4	27%	35%
Group revenue	**110.1**	97.0	(13)%	18%

1. Restated for the impact of IFRS 15.
2. Rest of World comprises China, Italy, Portugal, Malaysia, Mexico, the UK, Blink and Bangladesh.

Underlying operating profit/(loss)	2018 £'m	2017 Restated[1] £'m	Change	Constant currency change
Restricted Operations	**10.1**	9.7	3%	3%
Ongoing Operations				
India	**2.7**	1.1	138%	183%
Spain	**1.4**	1.8	(24)%	(25)%
Turkey	**0.6**	0.6	(4)%	62%
Germany	**(0.6)**	0.3	(273)%	(257)%
Rest of World	**(4.4)**	(2.2)	(96)%	(97)%
Total Ongoing Operations	**(0.3)**	1.7	(120)%	(125)%
Central Functions	**(6.5)**	(7.1)	9%	9%
Segmental underlying operating profit	**3.2**	4.3	(25)%	(18)%
Share of loss of joint ventures	**(0.2)**	—	—	—
Group underlying operating profit	**3.0**	4.3	(29)%	(23)%

1. Restated for the impact of IFRS 15.

Restricted Operations
As expected revenue has decreased by 20% to £22.0 million (2017: £27.7 million) reflecting the natural decline in the historic renewal books of CPPL and HIL. The focus with these renewal books is to provide excellent customer service in an efficient and cost effective way. Our success in this respect is upheld by continuing strong renewal rates of 83% (2017: 82%).

Underlying operating profit has increased by 3% to £10.1 million (2017: £9.7 million) reflecting the profit impact of the revenue decline being offset by operational efficiencies, a review of contractual provisions and a significantly lower allocation of central costs as it becomes a smaller proportion of Group revenue.

Ongoing Operations
Revenue has increased by 35% to £88.0 million (2017 restated: £69.4 million) as a result of significant growth in revenue from Phone Insurance and Extended Warranty in India, which has been partly offset by a reduction in revenue from the declining renewal books of Spain and Germany.

Underlying operating performance has decreased by 125% to a loss of £0.3 million (2017 restated: £1.7 million profit). The reduction results from increased investment in business growth projects and a higher allocation of central costs as certain markets become a larger proportion of Group revenue. Whilst new business opportunities are targeted in this market, renewal book decline has led to a reduction in operating profit performance in Spain and Germany. India profit growth has been partly reduced by additional central cost allocation. The underlying operating profit margin has reduced to 3% (2017 restated: 4%) as a result of these factors and the effect of sales costs on margin on our growing Phone Insurance and Extended Warranty portfolios in India. The investments in business growth projects are included in Rest of World and total £2.3 million (2017: £0.9 million) which comprises Blink, the UK and Bangladesh.

Central Functions
Our central cost base has reduced by 9% to £6.5 million (2017: £7.1 million) reflecting the anticipated cost benefits following our organisational restructure in 2017. Central cost control remains a key priority.

Adjusted underlying operating profit

	2018 £'m	Investments in business growth projects[1] £'m	2018 adjusted underlying operating profit £'m	2018 adjusted margin %	2017 adjusted underlying operating profit[1] Restated[2] £'m	2017 adjusted margin Restated[2] %	Change %	Constant currency Change %
Restricted Operations	10.1	—	10.1	46%	9.7	35%	3%	3%
Ongoing Operations	(0.3)	2.3	2.0	2%	2.6	4%	(25)%	(14)%
Central Functions	(6.5)	—	(6.5)	(100)%	(7.1)	(100)%	9%	9%
Segmental underlying operating profit	**3.2**	**2.3**	**5.5**	**5%**	**5.2**	**5%**	**6%**	**14%**
Share of loss of joint ventures	(0.2)	0.2	—	n/a	—	n/a	n/a	n/a
Group underlying operating profit	**3.0**	**2.5**	**5.5**	**5%**	**5.2**	**5%**	**6%**	**14%**

1. Investment in business growth projects in Ongoing Operations are the UK £0.7 million (2017: £0.1 million), Blink £1.4 million (2017: £0.8 million) and Bangladesh £0.2 million (2017: £nil). These projects are disclosed within Rest of World.
2. Restated for the impact of IFRS 15.

Adjusted underlying operating performance excludes investments for growth which reflect start-up losses in projects that will contribute to growth in the future. Costs associated with these projects are excluded for pre-defined periods in line with investment plans. The Group's adjusted underlying operating profit is £5.5 million (2017 restated: £5.2 million) and when excluding these costs Ongoing Operations shows a profit of £2.0 million (2017 restated: £2.6 million). The Group has increased its investment in growth projects by £1.6 million in 2018 reflecting the focus on long-term growth and sustainability.

Other income statement items

We have undertaken a significant restructuring programme around our legacy European markets which has led to the recognition of substantial exceptional costs in the year. Exceptional costs are £3.1 million (2017: £0.1 million) comprising £3.5 million restructuring costs partly offset by an exceptional credit of £0.3 million relating to customer redress in the UK.

Share-based payment charges relating to the MSP were £0.1 million (2017: £0.1 million). This share option scheme was a three-year plan which concluded in 2018; as a result there will be no further charges relating to the MSP.

Read about our APMs
pages 102 and 103

Net interest and finance income of £0.5 million (2017: £0.1 million costs) reflects that the Group has not drawn against its borrowing facility during the year and has strong cash balances in markets such as India, where investment returns are relatively high.

As a result, the Group's profit before tax was £0.3 million (2017 restated: £3.8 million) and our loss after tax was £0.4 million (2017 restated: £4.7 million profit).

Impact of exchange rates

The Group is increasingly impacted by exchange rate movements as our mix of business becomes less UK based and more derived from our overseas operations, in particular India. Revenue in the year has improved by 18% on a constant currency basis compared to 13% at actual exchange rates. Underlying operating profit has declined by 23% on a constant currency basis compared to 29% at actual exchange rates. With the exception of exchange rate fluctuations the Group does not expect the basis of its operations to be materially impacted by Brexit.

Financial review continued

Tax
In 2018 there was a tax charge of £0.7 million (2017 restated: £0.9 million credit). The charge includes £0.9 million (2017 restated: £0.5 million) in India, reflecting an increase in Indian taxable profits and a transition to the mainstream income tax rate (including surcharges) of 29%. Charges also arise on profits in Turkey, Spain and Italy. The corporate income tax rates in these overseas countries are higher than the UK corporate income tax rate of 19%. The 2017 tax credit included prior year UK credits and release of certain tax contingencies.

Profits from UK entities are fully covered by group relief from losses arising in other UK entities, brought forward tax losses and double tax relief.

In the year, the Group has recognised a deferred tax asset on losses in Germany reflecting the increased certainty in future profitability following our restructuring activity. No notable deferred tax assets have been recognised on other losses arising around the Group in 2018.

The Group's effective tax rate is expected to be significantly higher than the UK statutory tax rate in future years as we continue to invest in new and developing markets, which will not in the short term indicate sufficient certainty of future profitability to recognise deferred tax assets. The Group's policy is to recognise deferred tax assets when profit forecasts indicate tax losses can be utilised in the short term.

Due to the factors outlined, the effective tax rate for the year is not considered to be a representative measure.

Dividend
The Directors are not recommending the payment of a dividend. The Board remains of the view that it is not appropriate to pay a dividend at this time.

Cash flow and net funds
The Group's cash balances have decreased in the year by £5.5 million (2017: £3.2 million increase) reflecting the capital investments the Group has made in Globiva and KYND which create efficiencies in our value chain or provide product capability. In addition, the Group has increased its expenditure on technology to improve both core platforms and product delivery. The cash inflow in the prior year benefited from the proceeds of the sale of the York head office.

The net funds position has decreased to £26.0 million (2017: £31.5 million), which reflects the cash outflow in the year. The Group is currently not utilising its available debt facility. The net funds position includes £1.3 million required to be held in the UK for regulatory purposes and therefore the Group's available cash balance is £24.7 million. Whilst the Group has a strong available cash position our borrowing facility includes a cash covenant and increasingly cash is being generated through our Indian operation which is not currently available for Group use in its entirety due to historic trading losses. In the future, our Indian funds will become available for repatriation however a return of cash is likely to incur significant taxation costs. The cash located in the UK and generated through the historic back books is necessary to support Group IT and central support functions, key strategic markets that are currently loss-making and business growth projects.

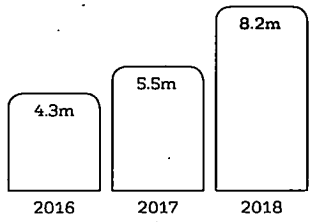
Balance sheet and financing
The Group's net assets have increased to £16.3 million (2017 restated: £15.5 million). The Group's non-current assets have increased by £4.2 million to £8.7 million reflecting the Group's investment in its IT capability, goodwill associated with the investments in Globiva and Valeos, and our joint venture investment in KYND.

Our borrowing arrangements are a £5.0 million revolving credit facility (RCF) which is available until February 2021. The RCF has been extended in the period on improved commercial terms with the margin decreasing to 2.5% and certain other conditions being reduced or removed. The Group is not currently drawn against the RCF.

Oliver Laird
Chief Financial Officer
26 March 2019

Key performance indicators

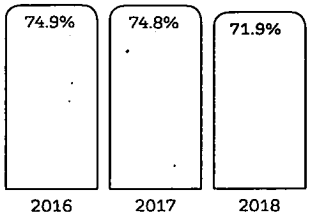
Live policies
+50%



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

Performance
The live policy base has increased by 50% in the year due to significant customer growth in our Indian market. Customer numbers have also grown in Turkey, the impact of which has been offset by continued decline in the restricted UK book and the closure of a wholesale book in China.

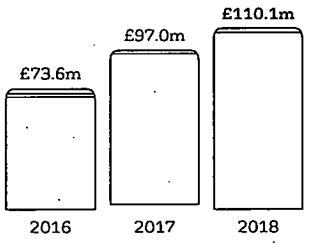
Annual renewal rate



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 2018 has decreased by 2.9 percentage points due to the mix impact of increasing renewal bases in India and Turkey that typically renew at lower rates than our traditional European markets.

Revenue by major product
+18%

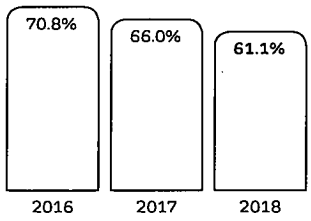


Measure
Revenue from the Group's major products and services (defined in note 5 to the financial statements).

Performance
Revenue from retail assistance policies has increased by 14% year-on-year due to growth in India being partly offset by the continued decline in the renewal books in our traditional European markets. Wholesale revenue has increased 42%, reflecting growth in our wholesale business in India and Turkey.

- Non-policy revenue
- Packaged & wholesale
- Retail insurance
- Retail assistance

Cost/income ratio



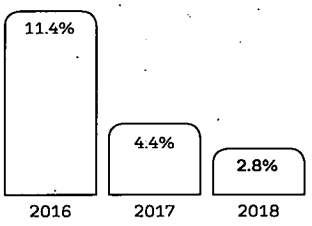
Measure
Cost of sales (excluding commission) and administrative expenses[1] as a percentage of revenue.

Performance
Our cost/income ratio has decreased 4.9 percentage points year-on-year due to growth in India which has a comparatively low cost base (excluding commissions) and a reduction in central costs, partly offset by an increase in investments in business growth projects.

1. Excluding exceptional items and MSP charges.

Read about our APMs
pages 102 and 103

Underlying operating profit margin



Measure
Underlying operating profit as a percentage of revenue.

Performance
Our underlying operating profit margin has decreased by 1.6 percentage points year-on-year reflecting the growth in India which is through the expansion of lower margin products and the funding investments in business growth projects, partly offset by a reduction in the central cost base.

Risk management & principal risks

The Group's risk management framework enables risks to be managed and reported consistently and objectively.

CPP operates a 'three lines of defence' model across the Group. Each country is responsible for managing its risks, with oversight and constructive challenge from central control functions and independent review carried out by Internal Audit.

The risk management framework enables the Group to be managed in a sustainable and controlled way, making risk-based decisions within our risk appetite and tolerance levels.

During the year the focus of risk has been enhanced by further strengthening the Global Risk and Compliance Department within the ISC, enabling closer support of each country. The development of the Group risk appetite policy and measures will also provide a consistent and objective tool for managing risk.

Internal control and oversight
The Group Board has overall responsibility for the system of internal control and for monitoring its effectiveness. Its assurance is gained from the Group Audit Committee and Group Risk & Compliance Committee, which have 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 these committees. The Board continues to monitor and challenge the ongoing process by which strategic risks to the Group are identified, evaluated and managed.

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 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 ISC.

Risk & control self-assessment (RCSA)
Central to the risk framework is the ability to identify and measure risks and controls and put in place appropriate actions to manage them. In addition to close ongoing contact with each country, quarterly RCSA discussions take place with senior management in each country to ensure that material risks have been appropriately identified and accurately reported. This has proven to be an effective and efficient way in which the Group can constructively challenge and input into thinking, provide risk professional support for each country and ensure that the output is reflected through strategic risk discussions 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 and receive sufficient management engagement, ensuring a focus on the mitigation and control of the strategic risks in particular. As a business we recognise the importance of having an open and honest risk culture which encourages debate and discussion across all levels of the three lines of defence 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. We have a strong available cash position and have refinanced in 2018 for a further three-year term.	⊖
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.	We operate a decentralised model, which provides our country leadership with the decision making capability to react rapidly to internal or external factors which may affect its business or customers. This decentralised model is delivered within a governance model defined by the ISC.	↓
Reputational			
Business reputation	There is a risk to CPP of reputational damage 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 • a lack of consistency across the Group.	High standards of conduct and a principled approach to regulatory compliance are integral to our culture, values and risk appetite and tolerance levels. We consider key reputational risks when initiating changes in our strategy, products or operating model. Whilst the Group has ambitious growth strategies, there is recognition that this is undertaken in a sustainable and controlled manner.	⊖
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. Group Internal Audit reviews internal procedures in respect of third party suppliers in line with Board approved plans.	↑

↑ Increase ⊖ Static ↓ Decrease

Risk management & 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 business operations such as information security incidents or service outages. The Group has developed an IT transformation plan to support its medium-term plans 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 located in the UK.	The Group's core infrastructure, which sits within a robust, compliant third party infrastructure gives us greater certainty of service. We will reuse our already proven existing services to deliver a single, configurable, scalable platform. We will also move to a technology delivery function that is designed to implement solutions at the speed the business requires while giving CPP improved value for money from its technology investments.	⊖
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.	GDPR has been successfully implemented and tested and the effectiveness is monitored on an ongoing basis. During 2018, the IRB banking regulations have been introduced requiring payment data of Indian customers to be held in that country. A suitable solution has been implemented to ensure compliance. During 2019 further Data Protection regulation is to be introduced in India and the necessary steps are being taken to ensure full compliance.	↑
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.	⊖
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 Group has undergone a significant restructuring programme in its traditional European markets. This can represent a risk in terms of knowledge and experience lost and put increased demand on our remaining colleagues.	The Group has identified key skills and role dependencies and takes steps to recruit and retain these within the business. CPP has undergone a period of change during 2018 with a number of restructures to ensure that it can continue to drive growth in the business whilst operating effectively. During these periods, the ISC risk and control teams have been consulted and have been involved in supporting our colleagues to minimise the impact of these changes.	⊖

↑ Increase ⊖ Static ↓ Decrease

Key risk	Description	Mitigation	Status
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: • increase regulatory oversight; • impact the ability of countries to market their existing products; or • has a material effect on the Group's operations or cost base.	We promote a strong compliance culture across the Group and always strive to put the interests of customers first. We 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. Regulatory and legal change is monitored by compliance, legal and risk teams in country with oversight by the Group. During 2018 we have continued to build on our conduct risk frameworks. Product reviews have been undertaken and we continue to have a focus on ensuring that our products are meeting the needs of our customers. The development of a quarterly assurance dashboard further strengthens ongoing oversight in respect of compliance with Group policies and local regulation. Product governance frameworks are being reviewed and strengthened in light of the implementation of the Insurance Distribution Directive, which affects our UK and EU countries.	⊖
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 impact of continued volatility in our Turkish market is being effectively monitored and managed. Changes to the regulatory environment in India are a key area of focus for our business and steps have been taken to ensure we comply. The introduction of the Senior Managers and Certification Regime (SMCR) for both our dual and solo regulated UK firms is a further key area of focus. We continue to consider the impacts of Brexit and the increase in cyber threats.	

↑ Increase ⊖ Static ↓ Decrease

The strategic report section on pages 8 to 41 of this Annual Report has been reviewed and approved by the Board of Directors on 26 March 2019.

Jason Walsh
Chief Executive Officer

Board of Directors & Company Secretary

Sir Richard Lapthorne
Chairman

Appointment May 2016
Committee memberships

A RC R

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. 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.

External appointments
Non-Executive Director of Sherritt International, Toronto.

Skills brought to the Board
Leadership of publicly listed companies across a number of industry sectors.

Jason Walsh
Chief Executive Officer

Appointment May 2016

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

External appointments None

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

Oliver Laird
Chief Financial Officer

Appointment June 2017

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

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

Skills brought to the Board
Sector and financial expertise.

Justine Shaw
People & Culture Director

Appointment July 2016

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

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

External appointments None

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

Mark Hamlin
Independent Non-Executive Director

Appointment May 2016
Committee memberships

A RC (R)

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 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.

External appointments
Non-Executive Director of Beckers Group, Col Art and P44 and Non-Executive Chairman of Globiva Services Private Limited.

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

Nick Cooper
Independent Non-Executive Director

Appointment May 2016
Committee memberships

A (RC) R

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 JD Wetherspoon plc and was Legal Director & Company Secretary of Energis.

External appointments
Non-Executive Director of Springfield Properties plc and of two private companies – Serious Pig Limited and Konnektis Communications Limited.

Skills brought to the Board
Legal and governance expertise within publicly listed companies.

Tim Elliott
Independent Non-Executive Director

Appointment September 2017
Committee memberships

(A) RC R

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, of KPMG, firstly in corporate finance and then as the client lead partner responsible for the firm's worldwide relationship with a number of major UK companies. Advisory work has included audit tender preparation, strategy review and transaction diligence, capital structuring and capital raising.

External appointments
Consultant to KPMG.

Skills brought to the Board
Finance and strategy expertise.

Lorraine Beavis
Company Secretary

Appointment October 2013

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.

Skills brought to the Board
Corporate governance and company administration.

Key

A Audit Committee
RC Risk & Compliance Committee
R Remuneration Committee
◯ Chair of Committee

Corporate governance report

Chairman's introduction

On behalf of the Board I am pleased to present our corporate governance report for the year ended 31 December 2018.

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

Following a change to the AIM Rules in 2018, the Board took the opportunity to reconsider which recognised corporate governance code was most appropriate for the Group. After full consideration, the Board agreed to adopt the Quoted Companies Alliance Corporate Governance Code ('QCA Code'). We believe that the QCA Code provides a flexible but rigorous outcome-orientated framework that is well suited to the Group, given its nature and current stage of development. At the same time the Board reviewed its Committee structure and agreed that any matters previously within the remit of the Nomination Committee could equally be dealt with by the Board as a whole and that, given the current size and circumstances of the Company, a separate committee was not required.

The ten principles of the QCA Code are set out below with details of how the Group complies with each principle.

Sir Richard Lapthorne
Chairman

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

Our strategy is based around six strategic pillars:

1. Focus on our partner relationships
2. Cultural and organisational change
3. Investment in growth markets
4. Realignment of traditional markets
5. International expansion
6. Driving technology and product innovation

A full description of our business model and strategy are given on pages 14 to 17. Key challenges to their execution are given under 'Risk management and principal risks' beginning on page 38.

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

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.

The Group maintains a corporate website (https://international.cppgroup.com) which complies with AIM Rule 26 and contains a range of information of interest to institutional and private investors, including the Group's annual and half-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 are available to download from our corporate website, https://international.cppgroup.com.

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

Our business model seeks to add value to the wider community as follows:

For business partners:
- Delivering additional revenue and profit.
- Transforming their products through technology innovation.
- Design and deliver products that add value to their customer base, driving loyalty and differentiation.
- Brand enhancing customer experiences.

For our customers:
- Protection of day-to-day assets.
- Assistance and peace of mind through products that bring convenience and control.
- Flexible customer experiences - people when you need them, technology when you don't.
- Event-based, automated claims processing to bring simplicity and improve usage.

For our shareholders:
- Focus and expansion into growth markets to increase business value.
- Increased ownership of the value chain to improve margins.
- Investments in building capabilities and value; via InsurTech platforms and acquisitions.

For our colleagues:
- Investment in programmes to drive personal and career growth.
- Empowered to be brave and deliver change to the benefit of our business partners and the end customers.
- Global experience and impact.

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

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

The Group has a dedicated Risk & Compliance Committee responsible for identifying and overseeing key risks and the resources available to manage them.

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. A full description of the Group's risk management framework and principal risks is given on pages 38 to 41.

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

The Board believes that the balance between Non-Executive Directors and Executive Directors reflects the changing needs of the business and allows the Board to exercise objectivity of decision making and proper control of the Group's business. The Board judges all the current Non-Executive Directors to be independent.

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

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

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.

All meetings of the Board and its Committees are minuted by the Company Secretary.

The number of meetings attended by each Director during 2018 is given on page 48.

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

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

Details of the experience and skills of each of the Directors are given on page 43.

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.

Appropriate 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 and Directors are encouraged to devote an element of their time to self-development.

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

All Directors are offered appropriate coaching to develop their knowledge and ensure they remain up to date in matters for which they have responsibility as a member of the Board. The Board receives periodic updates from the Company's advisers. For example, during the period under review and up to the date of this report, the Board received updates from the Group's external auditor on Directors' responsibilities as Approved Persons and under section 172 Companies Act 2006. Annual updates on the AIM Rules for Companies are also provided by the Group's nominated adviser (NOMAD), Investec Bank plc.

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

During 2018, the Board took part in an externally facilitated Board evaluation, conducted by BP&E Global. The evaluation was questionnaire based and the criteria against which the Board's effectiveness was considered were:

- Board dynamics;
- Board processes;
- delegation to and oversight of management;
- culture, ethics and clarity of purpose;
- strategic direction;
- stakeholder engagement and reporting; and
- Committees.

The following recommendations of the report issued by BP&E on completion of the evaluation were accepted by the Board and actions taken as noted:

- review of Director induction plan (when applicable);
- improved focus on Director training/development;
- Audit Committee - additional Committee meeting arranged specifically to sign off the Annual Report & Accounts; and
- additional Remuneration Committee meetings agreed between the Remuneration Committee Chair and the People & Culture Director.

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

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

The appointment of a Director specifically responsible for people and culture enables the Board to monitor and promote a healthy corporate culture.

The Board has approved significant investment in developing a dedicated programme to address, formulate and implement an open, honest and authentic culture that extends consistently throughout the business. Regular visits by the Directors to each of the Group's territories and annual events attended by Country CEO's and other key colleagues ensure a consistent culture throughout the Group. Further information may be found on pages 28 and 29.

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

Our governance framework

Our Board

The Board comprises seven Directors – the Chairman, three Executive Directors and three Independent Non-Executive Directors.

Membership at 31 December 2018
See page 43

Meetings held in 2018
Six

Key matters reserved for the Board:

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

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

Audit Committee

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

Membership at 31 December 2018

- Tim Elliott (Chair)
- Sir Richard Lapthorne
- Nick Cooper
- Mark Hamlin

Meetings held in 2018
Four

Read about our Audit Committee **pages 50 and 51**

Risk & Compliance Committee

Key objectives
To assist the Board in fulfilling its oversight responsibilities with regard to the risk appetite of the Group and the risk management and compliance framework and the governance structure that supports it.

Membership at 31 December 2018

- Nick Cooper (Chair)
- Sir Richard Lapthorne
- Mark Hamlin
- Tim Elliott

Meetings held in 2018
Three

Read about our Risk & Compliance Committee **page 49**

Remuneration Committee

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

Membership at 31 December 2018

- Mark Hamlin (Chair)
- Sir Richard Lapthorne
- Nick Cooper
- Tim Elliott

Meetings held in 2018
Five

Read about our Remuneration Committee **pages 52 to 54**

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

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.

Roles and responsibilities

Chairman

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

Chief Executive

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

Board Committees

The Audit Committee, the Risk & Compliance Committee and the Remuneration Committee are standing Committees of the Board. Written terms of reference of these Committees, including their objectives and the authority delegated to them by the Board, are available upon request from the Company Secretary or via the Group's website at https://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; Committees also have access to independent expert advice, if 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 43.

Internal control and compliance

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

Full details of the Group's system of internal control and its relationship to the corporate governance structure are contained in the risk management and principal risks section of this report on pages 38 to 41.

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.

Directors' attendance at scheduled Board and Committee meetings in 2018

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

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

Governance structure
Details of our governance framework are given on page 47.

Audit Committee Report
The Audit Committee Report is set out on pages 50 and 51.

Remuneration Committee Report
The Remuneration Committee Report is set out on pages 52 to 54.

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

As soon as practicable after the conclusion of any general meeting, the voting results are released through a regulatory news service with a copy of the announcement posted on the Company's website.

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

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

Membership and meetings
Only Committee members are entitled to attend meetings. Other individuals such as the Executive Directors, the Group Legal Counsel, the Head of Internal Audit and the Head of Risk & Compliance may 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;
- product reviews;
- GDPR; and
- data management and data protection.

Report of the Audit Committee

Other members

Mark Hamlin

Nick Cooper

Tim Elliott
Chairman of the Audit Committee

Sir Richard Lapthorne

Introduction

On behalf of the Audit Committee I am pleased to present the Audit Committee Report for the year ended 31 December 2018.

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

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, the Global Head of Finance and the Head of Internal Audit attended most meetings to report to the Committee and provide clarification and explanations where appropriate.

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

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

Key accounting items
The Committee has received management papers providing regular updates on the development of the Group's key accounting items during the year including the revised segmental reporting as outlined in the 2017 Annual Report & Accounts and implemented in the current year, changes in revenue recognition as a result of implementing IFRS 15 and updates on new accounting standards which will impact the Group in future years.

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 51.

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 resource; 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.

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 are available on the Group's website;
- the Committee receives and reviews each year an analysis of any non-audit work awarded to the Auditor over the financial period; and
- the Committee receives each year a report from the external Auditor outlining any matters that the Auditor considers bear on its independence and which need to be disclosed to the Audit Committee.

Internal audit
The Committee approves the annual internal audit plan 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 Internal Audit function uses a risk-based approach to provide assurance across all Group companies and functional areas; in recent years rapid international growth has been reflected in greater internal audit coverage in non UK-based subsidiaries, especially in our highest growth countries of India and Turkey. We expect this to continue into 2019 and 2020. In areas where our business is rapidly growing, the focus of the audit function is on ensuring a scalable control environment and identifying areas which could be enhanced with greater automation, along with a continued focus on key areas of risk around IT systems and security, core financial controls and governance. The Committee has assessed the resources available to the Internal Audit department to complete its remit and has approved the use of external consultants to supplement in areas requiring specialist skills; this has been used to support specialist IT audits in 2018 and similar technical support is expected to be used in 2019 and 2020.

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.

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 2018 financial statements and how these were addressed by management are shown below:

Area of judgement	Management action
Cessation of commission payments to UK business partners.	The Committee has received detailed explanations from senior management during the year in relation to continued correspondence with affected business partners and potential financial exposures. The Committee has challenged the information and has determined that it is comfortable with the Group's position on the matter.
Revenue recognition	The Committee has received detailed updates from senior management in relation to the Group's transition and continued application of IFRS 15 and the impact it has had on revenue recognition around the Group. The committee 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
26 March 2019

Directors' remuneration report

Other members

Sir Richard Lapthorne

Nick Cooper

Mark Hamlin
Chairman of the Remuneration Committee

Tim Elliott

Introduction

On behalf of the Remuneration Committee, I am pleased to present the Directors' remuneration report (the 'Remuneration Report') for the year ended 31 December 2018.

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

As an AIM-listed company, CPP is not required to prepare the Remuneration Report in accordance with the Directors' Remuneration Report Regulations 2002 or the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (together "the Regulations"). However, the Remuneration Committee recognises the importance of, and supports the principles of the Regulations and seeks to follow them to the extent considered relevant for an AIM-listed company.

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

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

- 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 Limited (OIS), who provided no other services to the Company during the year. Fees paid to OIS during the year totalled £120,000.

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 business. The Committee reviews the remuneration policy from time to time, taking whatever action it considers necessary to ensure that remuneration is aligned with the overall strategic objectives of the Group.

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

Read about our Board of Directors **page 43**

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.

Service contracts and letters of appointment
The Executive Directors have service contracts that are subject to six months' notice by either party.

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

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

Directors' remuneration (audited information)
The remuneration of the Executive and Non-Executive Directors serving during the year was as follows:

	Base salary/ fees £'000 2018	Taxable benefits £'000 2018	Bonus £'000 2018	Pension £'000 2018	Total £'000 2018	Total £'000 2017
Executive Directors						
Jason Walsh	257	32	255	39	583	549
Oliver Laird	190	24	157	19	390	219
Justine Shaw	180	24	149	18	371	350
Non-Executive Directors						
Sir Richard Lapthorne	160	—	—	—	160	160
Mark Hamlin[1,2]	140	—	—	—	140	129
Nick Cooper[3]	90	—	—	—	90	90
Tim Elliott	90	—	—	—	90	30

1. The above figure includes an additional fee of £50,000 for Mark Hamlin's Chairmanship of CPP Innovation Limited (formerly Blink Innovation Limited), a position from which Mark resigned with effect from 31 December 2018.
2. With effect from 24 August 2018 Mark Hamlin was appointed as Chairman of the Globiva board, in consideration for which the Company makes a contribution towards his fees of £75,000 per annum. In the period to 31 December 2018, fees of £28,000 were paid in respect of this appointment.
3. In addition to the figure above Nick Cooper received £3,750 in consideration of additional duties supporting the Executive Directors. This was a temporary extension of duties which began in 2017 and was continued into 2018 for a short time.

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

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

Director	Balance held at 1 January 2018	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 2018
Jason Walsh	6,340,580	4,635,463	—	—	10,976,043
Oliver Laird	1,272,605	1,710,171	—	—	2,982,776
Justine Shaw	3,955,616	1,622,412	—	—	5,578,028

Current share plans

2016 Long Term Incentive Plan

This plan was introduced in January 2016, when options were awarded to Executive Directors and certain members of the senior management team. Further awards were made in April 2017 and April 2018. Options will vest on the third anniversary of the date of grant, subject to the achievement of specified performance conditions.

Matching Share Plan (MSP)

Under the MSP, which was introduced in June 2015, the then Executive Directors and certain members of the senior management team were given the opportunity to purchase shares for consideration of 3 pence per share (the 'Investment Shares'). The price of 3 pence per share reflected that paid by the external investors at the time of the share placing in February 2015. For each Investment Share purchased, options over three 'Matching Shares' were awarded. The options have an exercise price of 1 penny. No performance conditions were attached to these options which have now vested in full. No further awards will be made under the MSP.

Clawback and malus provisions apply to 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 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 2018	Ordinary shares held at 31 December 2017	Interests in unexercised shares under incentive plans
Sir Richard Lapthorne	4,700,000	4,200,000	—
Jason Walsh	432,854	50,000	10,976,043
Oliver Laird	159,601	—	2,982,776
Justine Shaw	999,312	999,312	5,578,028
Nick Cooper	145,000	145,000	—
Mark Hamlin	1,436,589	740,963	—
Tim Elliott	175,000	—	—

Mark Hamlin
Chairman of the Remuneration Committee
26 March 2019

Directors' report

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The Directors present their Annual Report and audited financial statements of the Group for the year ended 31 December 2018.

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 8 to 41;
- the corporate governance report on pages 44 to 49;
- the report of the Audit Committee on pages 50 and 51; and
- the Directors' remuneration report on pages 52 to 54.

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

Sir Richard Lapthorne	Chairman
Jason Walsh	Chief Executive Officer
Oliver Laird	Chief Financial Officer
Justine Shaw	People & Culture Director
Nick Cooper	Non-Executive Director
Tim Elliott	Non-Executive Director
Mark Hamlin	Non-Executive Director

Under the Company's Articles of Association any Director who has been a Director at each of the preceding two AGMs and who was not appointed or reappointed by the Company in general meeting at, or since, either such meeting shall retire by rotation. However, in the interests of maintaining stability of the Board Sir Richard Lapthorne and Justine Shaw voluntarily submit themselves for re-election at the forthcoming AGM.

Brief biographical details for each Director are set out on page 43. Details of Committee memberships are set out on page 47 of the corporate governance report.

Details of Directors' beneficial interests in and options over the Company's shares are set out in the Directors' remuneration report on pages 52 to 54.

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

Dividends
The Directors do not recommend payment of a final dividend in respect of 2018. No dividends have been paid in either the current or prior year.

Events after the balance sheet date
There have been no material events subsequent to the balance sheet date.

Annual General Meeting
The AGM of the Company is to be held on 7 May 2019.

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 31 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 32.

Substantial shareholdings
On 31 December 2018, 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 2018 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	317,237	36.84%
Milton Magna Limited (a company controlled by Mr Hamish Ogston)	264,144	30.67%
Mr Hamish Ogston	96,332	11.19%
Schroders plc	87,795	10.20%

Mr Hamish Ogston holds a beneficial interest in 41.86% of the issued shares of the Company. Under the terms of a relationship agreement between Mr Ogston and the Company dated 22 December 2014 and effective from the Company's admission to AIM, for so long as Mr Ogston and any person or corporate body connected to him (a 'Controlling Shareholder') holds, in aggregate, 30% or more of the ordinary shares or the voting rights attaching to the shares, Mr Ogston shall not and shall procure that each Controlling Shareholder shall not:

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

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

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

Taking the analysis into consideration, the Directors are satisfied that the Group has the necessary 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.

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 https://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
26 March 2019

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:

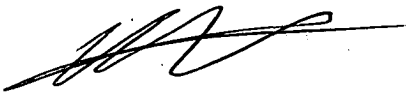
- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit/loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Jason Walsh
Chief Executive Officer
26 March 2019



Oliver Laird
Chief Financial Officer
26 March 2019



Independent Auditor's report
To the members of CPPGroup Plc

Report on the audit of the financial statements

Opinion

In our opinion:

- **the financial statements of CPPGroup Plc (the 'Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2018 and of the Group's loss 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 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 37.

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 Financial Reporting Council's ('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; and • revenue recognition. Within this report, any new key audit matters are identified with and any key audit matters which are the same as the prior year identified with
Materiality	The materiality that we used for the Group financial statements was £1,225,000 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, India and Spain, with an audit of specified account balances in the components of Italy and Turkey. In aggregate, our testing covered more than 93% of the Group's net assets, 94% of the Group's revenue and 87% of the Group's profit before tax.
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 'recognition and impairment of retained capitalised software costs'. In the prior year capitalised software costs were impaired to an immaterial level with immaterial levels of capitalisation during the current year reducing the level of risk of material misstatement relating to this matter.

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Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

We have nothing to report 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 recognition and quantification of costs relating to the settlement of contractual commission obligations with BPs and the disclosure of the matter under the requirements of accounting standard IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets.* Reference to this matter is included in the critical judgement and key sources of estimation note on page 73, the provision note at page 89 and in the Report of the Audit Committee at page 51. The Group has presented a provision in respect of this matter within trade payables and accruals.
How the scope of our audit responded to the key audit matter	We confirmed our understanding of Management's process obtained through prior audit work to identify the key controls relating to this matter, and assessed the design and implementation of the governance review controls in place over the key judgements made. We assessed whether our review of legal contracts with the BPs and correspondence received since the cessation of commission payments was communicated performed in prior audits remained relevant and reliable for the current year. We made inquiries of Management and reviewed relevant committee minutes to establish if there had been further correspondence with BPs in the current year. We assessed the probability of future settlements arising and the quantification of provision by independent assessment and determining a range of reasonable possible outcomes. We reviewed the application of the limited disclosures made in the Annual Report & Accounts for compliance with the requirements in IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets* for such legal matters.
Key observations	We found that the accounting and limited disclosure due to the risk of legal prejudice in relation to this matter is in line with the requirements of IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*, and that the quantification of the exposure was within a reasonable range.

Report on the audit of the financial statements continued

Revenue recognition	
Key audit matter description	The recognition of revenue under IFRS 15 *Revenue from Contracts with Customers*, totalling £110.1 million (2017 restated: £97.0 million) requires significant Management judgement in: • determining and implementing revenue recognition policies that are compliant with the new accounting standard, including the Group's disclosures on transition; and • allocating revenue between performance obligations completed at the inception of customer policies and servicing obligations performed throughout the term of the policy, particularly in India where a number of different customer benefits are bundled within its products. Due to the significance of judgements involved in applying the Group's revenue recognition policies across multiple products, and the reliance of the revenue recognition calculation on information produced by the Group, we identified a specific risk of fraud due to possible manipulation of this balance. In addition, we identified that the completeness and accuracy of revenue, in particular the quantification of revenue journals posted to the general ledger, is reliant on the Group's IT system reports and automated controls operating effectively. The Group's associated accounting policies are detailed on pages 70 to 71, the segmental analysis note at page 76 and are discussed in the Report of the Audit Committee at page 51.
How the scope of our audit responded to the key audit matter	We understood Management's process for recognising revenue through performing walkthrough procedures in order to identify the key operational and governance controls in place, as well as the data flows included within the revenue recognition calculation. We assessed the design and implementation of governance review controls in place over the determination of IFRS 15 revenue recognition policies for products across the Group. We assessed the design and implementation and tested operating effectiveness of key manual controls used to reconcile the general ledger with underlying customer databases and cash received from customers. We also assessed the design and implementation and tested the operating effectiveness of centrally managed Group-wide key automated controls in the core administration systems used across the Group to trigger policy renewal and refund transactions, and to generate journal entries that are posted to the general ledger. We challenged the appropriateness of revenue recognition policies adopted by the Group, in particular the identification of performance obligations completed at the inception of customer policies and servicing obligations performed throughout the term of the policy, through agreeing the Group's performance obligations to the terms and conditions included within the policy documents provided to customers and contracts with business partners. We assessed the appropriateness of the Group's policy for allocating revenue to performance obligations and whether it is compliant with IFRS 15 *Revenue from Contracts with Customers*. We tested the implementation of the Group's revenue recognition allocation method through recalculation and by testing the data used to underlying evidence. We independently recalculated the Group's material revenue streams from an independent extraction of source policyholder data and performed data analytics to identify policies that exhibit characteristics of audit interest before substantively testing a sample of revenue entries to underlying supporting evidence.
Key observations	We considered that the revenue recognition policies applied by Management are compliant with IFRS 15 *Revenue from Contracts with Customers*, and the revenue allocation calculations performed were reasonable.

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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	£1,225,000 (2017: £1,050,000)	£612,500 (2017: £525,000)
Basis for determining materiality	Below 1.2% of revenue (2017: below 1.2% of revenue).	Less than 1% of net assets (2017: less than 1% of net assets). Materiality has been capped at 50% (2017: 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 across 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 £60,000 (2017: £50,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

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, India, Spain, Italy and Turkey). Three of these were subject to a full audit (2018 and 2017: United Kingdom, India and Spain), whilst the remaining two (2018 and 2017: 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 93% (2017: 92%) of the Group's net assets, 94% (2017: 90%) of the Group's revenue and 87% (2017: 91%) 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 relating to the key audit matters identified above. Our audit work at the locations was executed at levels of materiality applicable to each individual entity, which were lower than Group materiality and ranged from £215,000 to £830,000 (2017: £420,000 to £570,000).

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 an 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. This year, we included a location visit to India during our planning of the audit; in 2017 we visited Spain.

For all significant components, we issue instructions and conduct a briefing call with the component audit partner and engagement team, and discuss their risk assessment at the audit planning stage. We maintain regular communication through the substantive testing stage and discuss any matters of significance to the Group audit as they arise. We discuss the conclusions of their work through conference calls involving the component audit partner, local and Group management and the Group engagement partner. We review the audit work performed by component audit teams as well as the reported conclusions and findings identified and communicated to us by the component audit teams.

Independent Auditor's report continued
To the members of CPPGroup Plc

Report on the audit of the financial statements continued

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual 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.

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities 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 FRC'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 light of the knowledge and understanding of the Group and of 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, United Kingdom
26 March 2019

Consolidated income statement
For the year ended 31 December 2018

	Note	2018 £'000	2017 Restated* £'000
Revenue	5	**110,070**	97,048
Cost of sales		**(68,993)**	(54,820)
Gross profit		**41,077**	42,228
Administrative expenses		**(41,031)**	(38,290)
Share of loss of joint ventures	19	**(199)**	—
Operating (loss)/profit		**(153)**	3,938
Analysed as:			
Underlying operating profit	5	**3,045**	4,299
Exceptional items	6	**(3,137)**	(67)
MSP charges	32	**(61)**	(294)
Investment revenues	10	**531**	191
Finance costs	11	**(51)**	(313)
Profit before taxation		**327**	3,816
Taxation	12	**(712)**	906
(Loss)/profit for the year	7	**(385)**	4,722
Attributable to:			
Equity holders of the Company		**(380)**	4,722
Non-controlling interests		**(5)**	—
		(385)	4,722
		Pence	**Pence**
(Loss)/earnings per share			
Basic	14	**(0.04)**	0.55
Diluted	14	**(0.04)**	0.53

* Results for the year ended 31 December 2017 have been restated to reflect the adoption of IFRS 15. See note 35.

Consolidated statement of comprehensive income
For the year ended 31 December 2018

	2018 £'000	2017 Restated* £'000
(Loss)/profit for the year	**(385)**	4,722
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(286)**	(165)
Other comprehensive expense for the year net of taxation	**(286)**	(165)
Total comprehensive (expense)/income for the year	**(671)**	4,557
Attributable to:		
Equity holders of the Company	**(666)**	4,557
Non-controlling interests	**(5)**	—
	(671)	4,557

* Results for the year ended 31 December 2017 have been restated to reflect the adoption of IFRS 15. See note 35.

Balance sheets
As at 31 December 2018

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	Note	Consolidated 2018 £'000	Consolidated 2017 Restated* £'000	Company 2018 £'000	Company 2017 £'000
Non-current assets					
Goodwill	15	**1,492**	776	**—**	**—**
Other intangible assets	16	**2,788**	882	**—**	**—**
Property, plant and equipment	17	**1,717**	1,281	**—**	**—**
Investments	18	**—**	**—**	**15,576**	15,551
Investment in joint venture	19	**1,034**	**—**	**—**	**—**
Deferred tax asset	29	**1,225**	1,286	**111**	514
Contract assets	22	**479**	349	**—**	**—**
		8,735	4,574	**15,687**	16,065
Current assets					
Insurance assets	20	**24**	30	**—**	**—**
Inventories	21	**159**	65	**—**	**—**
Contract assets	22	**4,553**	2,927	**—**	**—**
Trade and other receivables	23	**13,704**	10,306	**75,775**	74,129
Cash and cash equivalents	24	**25,955**	31,465	**—**	**—**
		44,395	44,793	**75,775**	74,129
Total assets		**53,130**	49,367	**91,462**	90,194
Current liabilities					
Insurance liabilities	25	**(617)**	(706)	**—**	**—**
Income tax liabilities		**(536)**	(854)	**—**	**—**
Trade and other payables	26	**(22,906)**	(22,426)	**(28,469)**	(20,108)
Borrowings	27	**—**	6	**(1,795)**	(6,736)
Provisions	28	**(571)**	(490)	**—**	**—**
Contract liabilities	22	**(10,934)**	(8,806)	**—**	**—**
		(35,564)	(33,276)	**(30,264)**	(26,844)
Net current assets		**8,831**	11,517	**45,511**	47,285
Non-current liabilities					
Borrowings	27	**90**	**—**	**—**	**—**
Deferred tax liabilities	29	**(90)**	**—**	**—**	**—**
Provisions	28	**(291)**	**—**	**—**	**—**
Contract liabilities	22	**(1,009)**	(593)	**—**	**—**
		(1,300)	(593)	**—**	**—**
Total liabilities		**(36,864)**	(33,869)	**(30,264)**	(26,844)
Net assets		**16,266**	15,498	**61,198**	63,350
Equity					
Share capital	31	**24,021**	23,978	**24,021**	23,978
Share premium account		**45,225**	45,225	**45,225**	45,225
Merger reserve		**(100,399)**	(100,399)	**—**	**—**
Translation reserve		**478**	764	**—**	**—**
ESOP reserve		**15,884**	15,114	**9,258**	8,488
Retained earnings/(accumulated losses)		**30,323**	30,816	**(17,306)**	(14,341)
Equity attributable to equity holders of the Company		**15,532**	15,498	**61,198**	63,350
Non-controlling interests		**734**	**—**	**—**	**—**
Total equity		**16,266**	15,498	**61,198**	63,350

* Balances as at 31 December 2017 have been restated to reflect the adoption of IFRS 15. See note 35.

The notes on pages 68 to 101 form an integral part of these financial statements.

Approved by the Board of Directors and authorised for issue on 26 March 2019 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 2018

	Note	Share capital £'000	Share premium account £'000	Merger reserve £'000	Translation reserve £'000	ESOP reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2017		23,975	45,225	(100,399)	929	14,516	25,902	10,148	—	10,148
Change in accounting policy – adoption of IFRS 15	35	—	—	—	—	—	365	365	—	365
At 1 January 2017 (Restated*)		23,975	45,225	(100,399)	929	14,516	26,267	10,513	—	10,513
Profit for the year		—	—	—	—	—	4,722	4,722	—	4,722
Other comprehensive expense for the year		—	—	—	(165)	—	—	(165)	—	(165)
Equity settled share-based payment charge	32	—	—	—	—	271	—	271	—	271
Deferred tax on share-based payment charge	12	—	—	—	—	—	113	113	—	113
Movement in EBT shares		—	—	—	—	327	—	327	—	327
Exercise of share options		3	—	—	—	—	(286)	(283)	—	(283)
At 31 December 2017		23,978	45,225	(100,399)	764	15,114	30,816	15,498	—	15,498
Loss for the year		—	—	—	—	—	(380)	(380)	(5)	(385)
Other comprehensive expense for the year		—	—	—	(286)	—	—	(286)	—	(286)
Equity settled share-based payment charge	32	—	—	—	—	770	—	770	—	770
Deferred tax on share-based payment charge	12	—	—	—	—	—	(113)	(113)	—	(113)
Exercise of share options	31	43	—	—	—	—	—	43	—	43
Non-controlling interest on acquisition of a subsidiary	33	—	—	—	—	—	—	—	739	739
At 31 December 2018		24,021	45,225	(100,399)	478	15,884	30,323	15,532	734	16,266

* Opening retained earnings and profit for the year ended 31 December 2017 has been restated to reflect the adoption of IFRS 15. See note 35.

Company statement of changes in equity
For the year ended 31 December 2018

	Note	Share capital £'000	Share premium account £'000	ESOP reserve £'000	Accumulated losses £'000	Total £'000
At 1 January 2017		23,975	45,225	7,890	(12,603)	64,487
Loss and total comprehensive expense for the year		—	—	—	(1,565)	(1,565)
Equity settled share-based payment charge	32	—	—	271	—	271
Deferred tax on share-based payment charge	12	—	—	—	113	113
Movement in EBT shares		—	—	327	—	327
Exercise of share options		3	—	—	(286)	(283)
At 31 December 2017		23,978	45,225	8,488	(14,341)	63,350
Loss and total comprehensive expense for the year		—	—	—	(2,852)	(2,852)
Equity settled share-based payment charge	32	—	—	770	—	770
Deferred tax on share-based payment charge	12	—	—	—	(113)	(113)
Exercise of share options	31	43	—	—	—	43
At 31 December 2018		24,021	45,225	9,258	(17,306)	61,198

Consolidated cash flow statement

For the year ended 31 December 2018

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	Note	2018 £'000	2017 £'000
Net cash (used in)/from operating activities	34	**(833)**	1,178
Investing activities			
Interest received		**531**	191
Proceeds from sale of property		**—**	5,325
Purchases of property, plant and equipment		**(792)**	(847)
Purchases of intangible assets		**(1,931)**	(315)
Acquisition of subsidiaries, net of cash acquired	33	**(704)**	(862)
Investment in joint venture	19	**(1,224)**	—
Net cash (used in)/from investing activities		**(4,120)**	3,492
Financing activities			
Repayment of the Second Commission Deferral Agreement	34	**—**	(1,304)
Costs of refinancing the bank facility		**(126)**	—
Interest paid		**(51)**	(304)
Issue of ordinary share capital and associated costs		**43**	44
Net cash used in financing activities		**(134)**	(1,564)
Net (decrease)/increase in cash and cash equivalents		**(5,087)**	3,106
Effect of foreign exchange rate changes		**(423)**	109
Cash and cash equivalents at 1 January		**31,465**	28,250
Cash and cash equivalents at 31 December	24	**25,955**	31,465

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 £2,852,000 (2017: £1,565,000). 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. No Standards or Interpretations have been adopted early in these financial statements.

Standard/Interpretation	Subject
IFRS 9	Financial instruments
IFRS 15	Revenue from contracts with customers
IFRS 2 (amendments)	Share-based payment transactions
IFRIC 22	Foreign currency transactions and advance consideration

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 16	Leases	31 December 2019
IFRIC 23	Uncertainty over tax treatments	31 December 2019
IAS 28 (amendments)	Long-term interests in Associates and Joint Ventures'	31 December 2019
Annual improvements to IFRSs	2016–2018 cycle	31 December 2019
IFRS 17	Insurance contracts	31 December 2021

IFRS 16 *Leases*

The Group has assessed the estimated impact that initial application of IFRS 16 *Leases* will have on the consolidated financial statements. IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases of offices, vehicles and office equipment. The nature of expenses related to those leases will change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Based on the information currently available, the Group estimates that it will recognise additional lease liabilities of approximately £5.0 million and additional right-of-use assets of approximately £4.2 million as at 1 January 2019. The Group does not expect the adoption of IFRS 16 to impact its ability to comply with the financial covenants in its borrowing facility, described in note 30.

Leases in which the Group is a lessor

The Group will reassess the classification of subleases in which the Group is a lessor. Based on the information currently available, the Group expects that it will reclassify two subleases as finance leases, resulting in recognition of finance lease receivables of approximately £0.3 million as at 1 January 2019.

Transition

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

3. Significant accounting policies

Basis of preparation

These consolidated financial statements on pages 64 to 101 present the performance of the Group for the year ended 31 December 2018. 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.

Following the adoption of IFRS 15 *Revenue from contracts with customers* the Group has changed its accounting policies and restated its comparative information, which is disclosed in note 35. All other new or amended standards and interpretations applied for the first time in the period commencing 1 January 2018 have not impacted the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

The Group has revised its segmental reporting from 1 January 2018. In accordance with IFRS 8 *Operating segments* our operating segments have been changed to reflect the way in which the Group is now managed and how resources are allocated. The Group's operating segments are identified as 'Restricted Operations'; 'Ongoing Operations'; and 'Central Functions'. These segments replace the three region basis that was previously in place. The prior period segmental information has been represented to reflect the change. Further detail is included in note 5.

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

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

Going concern

The Board of Directors has, at the time of approving the consolidated financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements. Further details of the Directors' assessment are set out in the Directors' report on page 56.

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.

3. Significant accounting policies continued

Share-based payments continued

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

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

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

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

Revenue recognition

Retail assistance revenue

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

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

Wholesale policies

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

Non-policy revenues

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

Contract assets

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

Contract liabilities

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

Insurance revenue

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

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

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

3. Significant accounting policies continued

Revenue recognition continued

Insurance revenue continued

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.

Business combinations

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

Joint arrangements

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

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

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

Non-controlling interests

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

Goodwill

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

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

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

Impairment

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

Intangible assets

Externally acquired software

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

Internally generated software

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

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

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

3. Significant accounting policies continued

Intangible assets continued

Intangible assets arising from business combinations

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

- Business partner relationships: in line with the relevant projected revenues.

Property, plant and equipment

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

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

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

Impairment of intangible assets and property plant and equipment

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

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

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

Cash and cash equivalents

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

Leases

Operating lease payments (net of any incentives received from the lessor) 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.

3. Significant accounting policies continued

Foreign currencies

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

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

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

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

Financial instruments

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

Financial assets

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

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

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are measured at fair value with gains or losses recognised through the income statement.

Financial liabilities

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

4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of consolidated financial statements in accordance with IFRS requires the use of assumptions, estimates and judgements that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results in the future may differ from those reported.

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

Critical judgements

Revenue recognition

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

Classification of exceptional items

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

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.

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

Assumptions and estimation uncertainties continued

Contractual matters continued

The appropriate level of financial provision may vary and impact the consolidated income statement depending on the outcome of any future discussions with those parties affected. A credit of £0.8 million has been recognised in the consolidated income statement in the current year.

Deferred tax asset

The Group has recognised a deferred tax asset of £1,225,000 (2017 restated: £1,286,000). 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 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 £2,700,000 to a reduction in the 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. With effect from 1 January 2018 the Group's operating segments have been revised to:

- Restricted Operations: historic renewal books of our UK regulated entities; CPPL, including its overseas branches; and HIL;
- Ongoing Operations: India, China, Turkey, Spain, Germany, Portugal, Italy, Mexico, Malaysia, the UK, Bangladesh and Blink. We continue to invest and drive new business opportunities in these markets; and
- Central Functions: central cost base required to provide expertise and operate a listed Group. Central Functions is stated after the recharge of certain central costs that are appropriate to transfer to both Restricted Operations and Ongoing Operations for statutory purposes.

This approach replaces the three regional segments that were previously in place. The comparative period segmental information has been represented to reflect this change and provide comparability.

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

	Restricted Operations 2018 £'000	Ongoing Operations 2018 £'000	Central Functions 2018 £'000	Total 2018 £'000
Year ended 31 December 2018				
Revenue – external sales	22,037	88,033	—	110,070
Cost of sales	(1,565)	(67,428)	—	(68,993)
Gross profit	20,472	20,605	—	41,077
Depreciation and amortisation	(26)	(343)	(497)	(866)
Other administrative expenses excluding exceptional items and MSP charges	(10,375)	(20,592)	(6,000)	(36,967)
Segmental underlying operating profit/(loss) before joint ventures	10,071	(330)	(6,497)	3,244
Share of loss of joint ventures				(199)
Underlying operating profit				3,045
Exceptional items (note 6)				(3,137)
MSP charges				(61)
Operating loss				(153)
Investment revenues				531
Finance costs				(51)
Profit before taxation				327
Taxation				(712)
Loss for the year				(385)

5. Segmental analysis continued

	Restricted Operations 2017 £'000	Ongoing Operations 2017 £'000	Central Functions 2017 £'000	Total 2017 £'000
Year ended 31 December 2017 Restated*				
Revenue - external sales	27,658	69,390	—	97,048
Cost of sales	(3,719)	(51,101)	—	(54,820)
Gross profit	23,939	18,289	—	42,228
Depreciation and amortisation	(131)	(139)	(920)	(1,190)
Other administrative expenses excluding exceptional items and MSP charges	(14,061)	(16,464)	(6,214)	(36,739)
Segmental underlying operating profit/(loss)	9,747	1,686	(7,134)	4,299
Exceptional items (note 6)				(67)
MSP charges				(294)
Operating profit				3,938
Investment revenues				191
Finance costs				(313)
Profit before taxation				3,816
Taxation				906
Profit for the year				4,722

* Balances restated for the impact of IFRS 15. See note 35.

Segment assets

	2018 £'000	2017 Restated* £'000
Restricted Operations	**17,114**	22,758
Ongoing Operations	**30,637**	21,598
Central Functions	**1,628**	2,949
Total segment assets	**49,379**	47,305
Unallocated assets	**3,751**	2,062
Consolidated total assets	**53,130**	49,367

* Balances restated for the impact of IFRS 15. See note 35.

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

Capital expenditure

	Intangible assets		Property, plant and equipment	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Restricted Operations	**20**	82	**61**	31
Ongoing Operations	**1,387**	233	**728**	271
Central Functions	**878**	86	**277**	545
Total assets	**2,285**	401	**1,066**	847

Intangible assets include £354,000 (2017: £86,000) in Ongoing Operations relating to assets included in the acquisition of subsidiaries, refer to note 16. Property, plant and equipment include £274,000 in Ongoing Operations in relation to the acquisition of subsidiaries refer to note 17.

5. Segmental analysis continued

Revenues from major products

	2018 £'000	2017 Restated* £'000
Retail assistance policies	**105,006**	93,274
Retail insurance policies	**336**	944
Wholesale policies	**4,162**	2,350
Non-policy revenue	**566**	480
Consolidated total revenue	**110,070**	97,048

* Balances restated for the impact of IFRS 15. See note 35.

Major product streams are disclosed on the basis monitored by senior management. For the purpose of this product analysis, 'retail assistance policies' are those which may be insurance backed but contain a bundle of assistance and other benefits; 'retail insurance policies' are those which protect against a single insurance risk; 'wholesale policies' are those which are provided by business partners to their customers in relation to an ongoing product or service which is provided for a specified period of time; and 'non-policy revenue' is that which is not in connection with providing an ongoing service to policyholders for a specified period of time. The Group derives its revenue from contracts with customers for the transfer of goods and services which is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8.

Disclosures in notes 8, 20 and 25 regarding accounting for insurance contracts provide information relating to all contracts within the scope of IFRS 4 and therefore include both retail insurance policies and the insurance components of retail assistance and wholesale policies.

Timing of revenue recognition

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

	2018 £'000	2017 Restated* £'000
At a point in time	**89,116**	79,304
Over time	**20,954**	17,744
Total	**110,070**	97,048

* Balances restated for the impact of IFRS 15. See note 35.

Geographical information

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

	External revenues		Non-current assets	
	2018 £'000	2017 Restated* £'000	2018 £'000	2017 Restated* £'000
Geographical location				
India	**65,326**	45,645	**2,115**	431
UK	**18,051**	21,977	**2,468**	2,140
Spain	**10,514**	11,294	**281**	151
Other	**16,179**	18,132	**1,612**	566
Total	**110,070**	97,048	**6,476**	3,288

* Balances restated for the impact of IFRS 15. See note 35.

Information about major customers

Revenue from the customers of one business partner in the Group's Ongoing Operations segment represented approximately £48,158,000 (2017 restated: £31,994,000) of the Group's total revenue.

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6. Exceptional items

	Note	2018 £'000	2017 £'000
Restructuring costs	7	**3,477**	—
Customer redress and associated costs	7	**(340)**	(307)
Aborted IT platform costs		**—**	880
Reversal of freehold property impairment		**—**	(506)
Exceptional charge included in operating (loss)/profit		**3,137**	67
Tax on exceptional items		**(848)**	(110)
Total exceptional charge/(credit) after tax		**2,289**	(43)

Restructuring costs of £3,477,000 (2017: £nil) mainly relate to redundancy costs and accounting charges associated with onerous leases at offices that will be vacated in the UK and Germany. The restructuring costs are located in Germany, Spain, Italy and the UK. The cash flows associated with these costs are reflected through cash used in operations.

Customer redress and associated costs are a credit of £340,000 (2017: £307,000 credit) and relates to the reversal of certain redress payments made in prior years. The credit is considered exceptional as it is a reversal of exceptional charges recognised in prior years.

7. (Loss)/profit for the year

	Note	Total 2018 £'000	Total 2017 £'000
(Loss)/profit for the year has been arrived at after charging/(crediting):			
Operating lease charges		**1,999**	1,137
Net foreign exchange (gains)/losses		**(42)**	146
Depreciation of property, plant and equipment	17	**454**	418
Amortisation of intangible assets	16	**412**	332
Impairment of intangible assets	16	**—**	440
Impairment of property, plant and equipment	17	**71**	—
Loss on disposal of property, plant and equipment	17	**75**	—
Loss on disposal of intangible assets	16	**11**	—
Customer redress and associated costs	6	**(340)**	(307)
Other restructuring costs	6	**1,088**	—
Aborted IT platform costs	6,16	**—**	880
Reversal of freehold property impairment	6,17	**—**	(506)
Share-based payments	32	**800**	281
Restructuring/redundancy costs	6, 9	**2,389**	1,823
Other staff costs		**24,467**	24,899
Total staff costs	9	**27,656**	27,003
Movement in the lifetime expected credit loss	23	**—**	(25)

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

	2018 £'000	2017 £'000
Payable to the Company's auditor for the audit of the Company and consolidated financial statements	**55**	48
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	**266**	253
Total audit services	**321**	301
Taxation compliance services	**—**	14
Other services	**15**	18
Total non-audit services	**15**	32
	336	333

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

	2018 £'000	2017 £'000
Gross premiums written	**1,565**	2,302
Change in provision for unearned premiums	**85**	103
Earned premiums	**1,650**	2,405

Costs incurred from insurance activities

	2018 £'000	2017 £'000
Claims paid		
- Gross amount	**20**	194
- Decrease in provision for gross claims	**(4)**	(54)
	16	140
Acquisition costs		
- Costs incurred	**(475)**	6
- Movement in deferred acquisition costs	**—**	20
	(475)	26
Other expenses	**1,495**	1,672
	1,036	1,838

The following assumption has an impact on insurance revenues:

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

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

9. Staff costs

Staff costs during the year (including Executive Directors)

	Total	
	2018 £'000	2017 £'000
Wages and salaries	**20,898**	21,109
Social security costs	**2,737**	2,904
Restructuring/redundancy costs	**2,389**	1,823
Share-based payments (see note 32)	**800**	281
Pension costs	**832**	886
	27,656	27,003

Average number of employees

	2018	2017
Restricted Operations	**108**	141
Ongoing Operations	**348**	335
Central Functions	**100**	117
	556	593

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

Total staff costs incurred by the Company during the year were £3,218,000 (2017: £1,547,000) and average number of employees was 8 (2017: 10).

Details of the remuneration of Directors are included in the Directors' remuneration report on pages 52 to 54.

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10. Investment revenues

	Total	
	2018 £'000	2017 £'000
Interest on bank deposits	**531**	191

11. Finance costs

	Total	
	2018 £'000	2017 £'000
Interest on borrowings	**50**	93
Amortisation of capitalised loan issue costs	**43**	73
Other – exchange movements	**(42)**	147
	51	313

12. Taxation

	2018 £'000	2017 Restated* £'000
Current tax charge/(credit):		
UK corporation tax	**(245)**	(999)
Foreign tax	**1,048**	1,104
Adjustments in respect of prior years	**(35)**	(917)
Total current tax	**768**	(812)
Deferred tax (credit)/charge:		
Origination and reversal of timing differences	**(41)**	(125)
Impact of change in UK tax rates	**(47)**	31
Adjustments in respect of prior years	**32**	—
Total deferred tax	**(56)**	(94)
Total tax charge/(credit)	**712**	(906)

* Balances restated for the impact of IFRS 15. See note 35.

UK corporation tax is calculated at 19% (2017: 19.25%) of the estimated assessable profit for the year. The UK Finance Act 2016 was enacted on 15 September 2016. It provides for a reduction in the main rate of corporation tax from 19% to 17% from 1 April 2020. As this rate was substantively enacted prior to 31 December 2018, it has been reflected in the UK deferred tax balance at 31 December 2018.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions, which includes: India at 29% inclusive of surcharges (2017: 18.5% using Minimum Alternative Tax); Spain at 25% (2017: 25%); Turkey at 22% (2017: 20%); and Italy at 27.5% (2017: 27.5%). Non-UK deferred tax is provided at the local prevailing rate, with the exception of India which is provided at 35%, being the rate at which the Indian deferred tax is expected to reverse.

The Group's effective rate of taxation is 217.7% (2017 restated: negative 23.7%). The Group's effective tax rate is expected to be significantly higher than the UK statutory tax rate in future years as deferred tax assets are unlikely to be recognised against losses in certain overseas markets.

12. Taxation continued

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

	2018 £'000	2017 Restated* £'000
Profit before tax	**327**	3,816
Effects of:		
Tax at the UK corporation tax rate of 19.00% (2017: 19.25%)	**62**	735
Provisional tax charge on uncertain expenditure in the current year	**109**	218
Other income not chargeable for tax purposes	**(284)**	(972)
Movement on previously unrecognised deferred tax	**(264)**	—
Higher tax rates on overseas earnings	**352**	431
Adjustments in respect of prior years	**(3)**	(917)
Impact of change in future tax rates on deferred tax	**(47)**	31
Surplus/(deficit) of share option charge compared to tax allowable amount	**422**	(109)
Movement in unprovided deferred tax	**689**	—
Change in recognition of deferred tax asset	**(324)**	—
Overseas tax gains not recognised	**—**	(184)
Deferred tax adjustment on asset transfer	**—**	(44)
Non-taxable gain on sale of property	**—**	(95)
Total tax charged/(credited) to income statement	**712**	(906)

* Balances restated for the impact of IFRS 15. See note 35.

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

	2018 £'000	2017 £'000
Deferred tax charge/(credit)		
Timing differences on equity settled share-based charge	**113**	(113)
Total deferred tax charge/(credit)	**113**	(113)
Total tax charged/(credited) to reserves	**113**	(113)

13. Dividends

The Directors have not proposed a final dividend for the year ended 31 December 2018 (2017: £nil).

14. (Loss)/earnings per share

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

(Loss)/earnings

	Total	
	2018 £'000	2017 Restated* £'000
(Loss)/earnings for the purposes of basic and diluted (loss)/earnings per share	**(380)**	4,722
Exceptional items (net of tax)	**2,289**	(43)
MSP charges (net of tax)	**55**	209
Earnings for the purposes of underlying basic and diluted earnings per share	**1,964**	4,888

14. (Loss)/earnings per share continued

Number of shares

	2018 Number (thousands)	2017 Number (thousands)
Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share and basic underlying earnings per share	**858,474**	856,502
Effect of dilutive potential ordinary shares: share options	**28,308**	27,188
Weighted average number of ordinary shares for the purposes of diluted underlying earnings per share	**886,782**	883,690

	Total	
	2018 Pence	2017 Restated* Pence
Basic and diluted (loss)/earnings per share:		
Basic	**(0.04)**	0.55
Diluted	**(0.04)**	0.53
Basic and diluted underlying earnings per share:		
Basic	**0.23**	0.57
Diluted	**0.22**	0.55

** Earnings per share for the year ended 31 December 2017 are restated to include the impact of IFRS 15. See note 35.*

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

15. Goodwill

	2018 £'000	2017 £'000
Cost and carrying value		
At 1 January	**776**	—
Recognised on the acquisition of subsidiaries	**716**	776
At 31 December	**1,492**	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 carrying amount of goodwill has been allocated as follows:

	2018 £'000	2017 £'000
Blink	**776**	776
Valeos	**104**	—
Globiva	**612**	—
At 31 December	**1,492**	776

Further detail is provided in note 33 in relation to the Valeos and Globiva goodwill recognised in the year.

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 CGUs. The pre-tax rate used to discount the forecast cash flows of the CGU at 31 December 2018 is 12% (2017: 12%).

16. Other intangible assets

	Business partner relationships £'000	Internally generated software £'000	Externally acquired software £'000	Total £'000
Cost				
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 1 January 2018	—	790	2,221	3,011
Additions	—	**793**	**1,138**	**1,931**
Acquisition of subsidiaries	**304**	**5**	**45**	**354**
Disposals	—	**(3)**	**(59)**	**(62)**
Exchange adjustments	—	**15**	—	**15**
At 31 December 2018	**304**	**1,600**	**3,345**	**5,249**
Accumulated amortisation				
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 1 January 2018	—	348	1,781	2,129
Provided during the year	—	**159**	**253**	**412**
Disposals	—	**(2)**	**(49)**	**(51)**
Exchange adjustments	—	—	**(29)**	**(29)**
At 31 December 2018	—	**505**	**1,956**	**2,461**
Carrying amount				
At 31 December 2017	—	442	440	882
At 31 December 2018	**304**	**1,095**	**1,389**	**2,788**

Additions through the acquisition of subsidiaries total £354,000 and comprise £345,000 in relation to Globiva and £9,000 in relation to Valeos.

Amortisation of intangible assets totalling £412,000 (2017: £332,000) is recognised through administrative expenses in the consolidated income statement.

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17. 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 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 1 January 2018	—	1,251	3,121	1,121	5,493
Additions	—	**285**	**355**	**152**	**792**
Acquisition of subsidiaries	—	—	**239**	**35**	**274**
Disposals	—	**(609)**	**(221)**	**(335)**	**(1,165)**
Exchange adjustments	—	**(8)**	**(33)**	**(35)**	**(76)**
At 31 December 2018	—	**919**	**3,461**	**938**	**5,318**
Accumulated depreciation					
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 1 January 2018	—	879	2,489	844	4,212
Provided during the year	—	**93**	**271**	**90**	**454**
Disposals	—	**(570)**	**(199)**	**(321)**	**(1,090)**
Impairment	—	—	**59**	**12**	**71**
Exchange adjustments	—	**(17)**	**(15)**	**(14)**	**(46)**
At 31 December 2018	—	**385**	**2,605**	**611**	**3,601**
Carrying amount					
At 31 December 2017	—	372	632	277	1,281
At 31 December 2018	—	**534**	**856**	**327**	**1,717**

Additions through the acquisition of subsidiaries total £274,000 and relate to Globiva.

Impairment loss of £71,000 has been recognised in our Restricted Operations segment and has been included as an exceptional restructuring cost within the consolidated income statement. The impairment reflects assets that have no further value in use to the business following restructuring activity.

18. Investment in subsidiaries

Company	2018 £'000	2017 £'000
Cost and carrying value		
At 1 January	**15,551**	15,538
Acquisitions	**25**	13
At 31 December	**15,576**	15,551

The acquisition of £25,000 during the year (2017: £13,000) 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.

18. Investment in subsidiaries continued

Investments in Group entities at 31 December 2018 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%
CPPGroup Services Limited	England & Wales	Ordinary shares	100%
Homecare (Holdings) Limited	England & Wales	Ordinary shares	100%
Homecare Insurance Limited	England & Wales	Ordinary shares	100%
Valeos (2013) Limited	England & Wales	Ordinary shares	100%
Blink Innovation (UK) Limited	England & Wales	Ordinary shares	100%
CPP Innovation Limited	Ireland	Ordinary shares	100%
CPP Commercial Consulting Services (Shanghai) Co Limited	China	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%
Globiva Services Private Limited	India	Ordinary shares	51.32%
CPP Global Assistance Bangladesh Limited	Bangladesh	Ordinary shares	100%
CPP Italia Srl	Italy	Ordinary shares	100%
CPP Malaysia Sdn. Bhd	Malaysia	Ordinary shares	100%
Servicios de Asistencia a Tarjetahabientes CPP Mexico, S. de R.L. de C.V.	Mexico	Ordinary shares	100%
Profesionales en Proteccion Individual, S. de R.L. de C.V.	Mexico	Ordinary shares	100%
CPP Mediacion Y Proteccion SL	Spain	Ordinary shares	100%
CPP Proteccion Y Servicios de Asistencia SAU	Spain	Ordinary shares	100%
CPP Real Life Services Support SL	Spain	Ordinary shares	100%
Key Line Auxiliar SL	Spain	Ordinary shares	100%
CPP Sigorta Aracilik Hizmetleri Anonim Sirketi	Turkey	Ordinary shares	99.99%
CPP Yardim ve Destek Hizmetleri Anonim Sirketi	Turkey	Ordinary shares	99.99%

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

The individual entities' registered addresses are shown in the Company offices section on page 104.

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19. Investment in joint venture

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

	2018 £'000
Carrying amount at 1 January	—
Acquisition of share capital	1,200
Costs associated with acquisition	24
Share of losses since acquisition	(199)
Fair value adjustment for Globiva shares on step acquisition	9
Carrying amount at 31 December	**1,034**

In 2018, the Group purchased 20% of the issued share capital of KYND for a total consideration of £1,200,000. The acquisition comprised two tranches: £420,000 in March 2018 and £780,000 in September 2018. The arrangement has been recognised as an investment in a joint venture due to voting rights within the shareholders' agreement, incorporation documents and the composition of the Board of Directors. KYND provides cyber security consultancy services and is incorporated in England and Wales.

The joint venture arrangement is being accounted for under the equity method. On acquisition the carrying value of the investment recognised was £480,000, increasing to £1,200,000 following the second tranche payment. Costs associated with acquisition of £24,000 have been capitalised to the value of the investment.

In the period since acquisition KYND has incurred losses of £950,000. The Group's 20% share of these losses is £190,000 and has been recognised in the consolidated income statement. The carrying value of the investment has been adjusted for these losses resulting in a carrying amount of £1,034,000 at 31 December 2018. The losses are not deemed an indicator of impairment as KYND is in start-up phase.

In 2018, the Group held a 34.51% share of Globiva share capital for a period of three months as part of a step acquisition. During this period, Globiva incurred losses of £26,000. The Group's 34.51% share of these losses is £9,000 and has been recognised in the consolidated income statement. On acquisition of an additional 16.81% share capital, Globiva became a fully consolidated subsidiary. At the point of acquisition, the existing shareholding in the Globiva joint venture was adjusted by £9,000 to its fair value within the calculation of goodwill; as a result the acquisition and disposal values of this transaction have not been included in the joint venture disclosure. See note 33 for further information on the Globiva step acquisition.

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

	2018 £'000
Non-current assets	15
Current assets	2,006
Current liabilities	(36)
Net assets	**1,985**
Group's share of net assets	**397**

	2018 £'000
Revenue	—
Expenses	(950)
Loss for the period	**(950)**
Group's share of loss for the period	**(190)**

20. Insurance assets

	2018 £'000	2017 £'000
Amounts due from policyholders and intermediaries	**24**	30

Reconciliation of movement in deferred acquisition costs

	2018 £'000	2017 £'000
At 1 January	—	20
Amortised during the year	—	(20)
At 31 December	**—**	—

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

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

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

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

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

21. Inventories

	2018 £'000	2017 £'000
Consumables and supplies	**159**	65

22. Contract assets and liabilities

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

	2018 £'000	2017 Restated* £'000
Non-current contract assets	**479**	349
Current contract assets	**4,553**	2,927
Total contract assets	**5,032**	3,276

* Reclassified and re-measured amounts relating to the adoption of IFRS 15. See note 35.

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

	2018 £'000	2017 Restated* £'000
Non-current contract liabilities	**1,009**	593
Current contract liabilities	**10,934**	8,806
Total contract liabilities	**11,943**	9,399

* Reclassified and re-measured amounts relating to the adoption of IFRS 15. See note 35.

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

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23. Trade and other receivables

	Consolidated		Company	
	2018 £'000	2017 Restated* £'000	2018 £'000	2017 £'000
Trade receivables	**6,654**	6,050	—	—
Prepayments and accrued income	**3,933**	2,744	**25**	47
Amounts due from Group entities	—	—	**75,732**	73,996
Other debtors	**3,117**	1,512	**18**	86
	13,704	10,306	**75,775**	74,129

Trade and other receivables are predominantly non-interest bearing.

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

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

Wholesale counterparty balances are assessed for expected credit losses based on past experience of credit default with those counterparties and the Group's experience as a whole in relation to credit defaults. The Group does not have any notable past experience of customer and counterparty credit defaults, due in part to the quality of the relationship it has with its counterparties and their credit ratings.

Where credit is offered to customers, the average credit period offered is 31 days (2017: 26 days). No interest is charged on trade receivables at any time. Disclosures regarding credit risk relate only to counterparties or customers offered credit.

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

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

Movement in the lifetime expected credit loss

	2018 £'000	2017 £'000
At 1 January	—	25
Decrease in expected credit loss recognised in the income statement	—	(25)
At 31 December	**—**	—

24. Cash and cash equivalents

Consolidated cash and cash equivalents of £25,955,000 (2017: £31,465,000) comprises cash held on demand by the Group and short-term deposits.

Cash and cash equivalents includes £1,336,000 (2017: £nil) required to be maintained by the Group's insurance business for solvency purposes.

Concentration of credit risk is reduced, as far as practicable, by placing cash on deposit across a number of institutions with the best available credit ratings. The credit quality of counterparties is as follows:

	2018 £'000	2017 £'000
AA	**4,428**	4,707
A	**15,994**	22,776
BBB	**1,695**	816
BB	**1,459**	1,387
B	**28**	50
Rating information not available	**2,351**	1,729
	25,955	31,465

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.

25. Insurance liabilities

	2018 £'000	2017 £'000
Claims reported	**9**	13
Claims incurred but not reported	**13**	13
Total claims	**22**	26
Unearned premium	**595**	680
Total insurance liabilities	**617**	706

Provisions for claims reported and processed are based on estimated costs from third party suppliers. Provisions for claims incurred but not reported are an estimate of costs for the number of claims not yet processed at the year end. Claims outstanding at the year end are expected to be settled within the following 12 months.

Provision for unearned premiums

	2018 £'000	2017 £'000
At 1 January	**680**	783
Written in the year	**1,565**	2,302
Earned in the year	**(1,650)**	(2,405)
At 31 December	**595**	680

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

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 2017	80	—	80
Cash paid for claims settled in the year	(194)	—	(194)
Increase in liabilities arising from current year claims	140	—	140
At 1 January 2018	26	—	26
Cash paid for claims settled in the year	**(20)**	—	**(20)**
Increase in liabilities arising from current year claims	**16**	—	**16**
At 31 December 2018	**22**	**—**	**22**

26. Trade and other payables

	Consolidated		Company	
	2018 £'000	2017 Restated* £'000	2018 £'000	2017 £'000
Trade creditors and accruals	**18,798**	19,796	**1,417**	1,312
Other tax and social security	**1,941**	1,384	**61**	41
Other payables	**2,167**	1,246	**—**	—
Amounts payable to Group entities	**—**	—	**26,991**	18,755
Total trade and other payables	**22,906**	22,426	**28,469**	20,108

** Balances restated for the impact of IFRS 15. See note 35.*

Trade creditors and accruals comprise amounts outstanding for trade purchases and ongoing costs. The average credit period for trade purchases is 26 days (2017: 31 days). Interest is not suffered on trade payables. The Group has financial management policies in place to ensure that all payables are settled within the pre-agreed credit terms.

The amounts payable to Group entities are repayable on demand. Interest has been charged on these balances in line with the Group's external borrowing rate, which since 28 February 2018 has been LIBOR plus 2.5%.

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27. Borrowings

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

	Consolidated		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Bank overdrafts	—	—	**1,795**	6,736
Bank loans due in less than one year	—	—	—	—
Less: unamortised issue costs	—	(6)	—	—
Borrowings due within one year	—	(6)	**1,795**	6,736
Bank loans due outside of one year	—	—	—	—
Less: unamortised issue costs	**(90)**	—	—	—
Borrowings due outside of one year	**(90)**	—	—	—

The Group's bank borrowing facility is in the form of a £5,000,000 revolving credit facility (RCF). At 31 December 2018, the Group has £5,000,000 undrawn committed borrowing facilities (2017: £5,000,000).

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 variable rate of LIBOR plus a margin of 2.5%. It is secured by fixed and floating charges on certain assets of the Group. The financial covenants of the RCF are based on the interest cover and minimum total cash balance of the Group. The Group has been in compliance with these covenants since inception of the RCF.

The weighted average interest rate paid during the year on the bank loan was 1.0% (2017: 1.9%). The RCF has not been drawn throughout the current year. The weighted average interest rate reflects the interest rate charged for the commitment on the undrawn element.

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. The bank overdraft includes £1,799,000 (2017: £7,786,000), which is held in a bank account subject to this arrangement.

28. Provisions

	Onerous leases and associated costs 2018 £'000	Onerous leases and associated costs 2017 £'000	Customer redress and associated costs 2017 £'000	Total 2017 £'000
At 1 January	**490**	667	476	1,143
Charged/(credited) to the income statement	**548**	490	(307)	183
Customer redress and associated costs paid in the year	**—**	—	(169)	(169)
Utilisation of onerous lease and associated costs provision in the year	**(176)**	(667)	—	(667)
At 31 December	**862**	490	—	490

The onerous leases and associated costs provision represents onerous leases on offices and vehicles in the UK and Germany.

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

Provisions are expected to be settled as per the following table:

	2018 £'000	2017 £'000
Within one year	**571**	490
Outside of one year	**291**	—
At 31 December	**862**	490

29. 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 2017	(101)	424	346	46	715
Credited/(charged) to income statement	301	(424)	55	162	94
Credited to equity	—	—	113	—	113
Reclassification from current tax	—	—	—	364	364
At 1 January 2018	200	—	514	572	1,286
(Charged)/credited to income statement	**(200)**	**790**	**(290)**	**(244)**	**56**
Charged to equity	—	—	**(113)**	—	**(113)**
Acquisition of subsidiaries	—	—	—	**(88)**	**(88)**
Exchange differences	—	—	—	**(6)**	**(6)**
At 31 December 2018	**—**	**790**	**111**	**234**	**1,135**

Company	Share-based payments £'000
At 1 January 2017	346
Credited to income statement	55
Charged to equity	113
At 1 January 2018	514
Charged to income statement	**(290)**
Charged to equity	**(113)**
At 31 December 2018	**111**

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	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Deferred tax assets	**1,225**	1,286	**111**	514
Deferred tax liabilities	**(90)**	—	—	—
	1,135	1,286	**111**	514

At the balance sheet date the Group has unused tax losses of £47,951,000 (2017: £33,816,000) available for offset against future profits. Deferred tax assets totalling £767,000 (2017: £nil) have been recognised in respect of anticipated profits in Germany and Turkey. No other deferred tax assets have 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. These losses include £3,836,000 (2017: £4,631,000) which, if not used, will expire between one to twelve years (2017: 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 £17,034,000 (2017: £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.

30. 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 a 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

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

Card Protection Plan Limited and Blink UK

CPPL and Blink UK are regulated by the FCA as insurance intermediaries and are required to hold a minimum level of capital resources relative to regulated business revenue.

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

Homecare Insurance Limited

HIL is authorised and regulated by the PRA and regulated by the FCA as an insurance underwriter and therefore maintains its capital resources in accordance with the PRA's Rulebook. HIL and its immediate parent company, Homecare (Holdings) Limited, calculate their Solvency Capital Requirement using the Solvency II Standard Formula and report this quarterly to the HIL Board and to the PRA. As at 31 December 2018, HIL's ratio of eligible funds to meet its Solvency Capital Requirement was 190%. 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

	2018 £'000	2017 £'000
Loans and receivables	**35,741**	39,060

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

	2018 £'000	2017 £'000
Financial liabilities at amortised cost	**24,573**	23,812

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.

30. Financial instruments continued

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 2018 was 77x (2017 restated: 56x).

Interest rate sensitivity analysis

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

	2018 £'000	2017 £'000
Increase in profit before tax	**567**	558
Increase in shareholders' equity	**567**	558

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	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Euro	**5,224**	5,218	**4,862**	6,178
Indian rupee	**6,735**	4,748	**10,104**	9,030

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	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Profit before tax	**(9)**	(69)	—	—
Shareholders' equity	**77**	(169)	**(561)**	(714)

Eurozone sensitivity analysis

The Group operates in countries with euro denominated currencies. The UK is scheduled to leave the European Union on 29 March 2019. As the UK moves through the exit process this has potential to result in 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 reduced Group losses relating to these Eurozone entities by £404,000 (2017: decreased profits £350,000). 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.

30. Financial instruments *continued*

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 23.

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

Liquidity risk

The Group has a policy of repatriation and pooling of funding where possible in order to maximise the return on surplus cash or minimise the level of debt required. The Group has significant available cash balances; however, increasingly cash is being generated through our Indian operation and is not currently available in its entirety for repatriation to the UK due to historic trading losses. Group Treasury continually monitors the level of short-term funding requirements and balances the need for short-term funding with the long-term funding needs of the Group. Additional undrawn facilities that the Group had at its disposal to further reduce liquidity risk are included in note 27.

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
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
2018						
Non-interest bearing liabilities	**8,900**	**7,024**	**6,040**	**2,609**	**—**	**24,573**
Fixed rate instruments	**8**	**15**	**68**	**194**	**—**	**285**
	8,908	**7,039**	**6,108**	**2,803**	**—**	**24,858**

30. Financial instruments continued

Liquidity and interest risk tables continued

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
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
2018							
Non-interest bearing assets	**n/a**	**6,383**	**1,103**	**1,992**	**308**	**—**	**9,786**
Variable rate instruments	**2.2%**	**13,256**	**12,694**	**—**	**5**	**—**	**25,955**
		19,639	**13,797**	**1,992**	**313**	**—**	**35,741**

Insurance risk

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

The lines of policies underwritten are limited to general insurance classes underwritten by HIL, an entity within the Group, which is authorised and regulated by the PRA and regulated by the FCA. The Group's remaining lines of insurance business, and thus its insurance risk portfolio, are primarily focused on low transaction value, short-term individual lines.

The Group's policy is to establish a specific claims provision at any point in time on each line of business, based on claims reported up to and including the last day of each accounting period, including an element to represent claims incurred but not yet reported. Details of claims provisions carried are provided in note 25.

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

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

31. 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 2018	856,820	171,650	1,028,470	8,565	15,413	23,978
Issue of shares in connection with:						
Exercise of share options	**4,285**	**—**	**4,285**	**43**	**—**	**43**
At 31 December 2018	**861,105**	**171,650**	**1,032,755**	**8,608**	**15,413**	**24,021**

During the year, the Company issued 4,285,000 shares to option holders for total consideration of £42,742. Further details relating to share options are provided in note 32.

Of the 861,105,155 ordinary shares in issue at 31 December 2018, 860,605,156 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.

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32. Share-based payment

Current share plans

Share-based payment charges comprise 2016 LTIP charges of £710,000 (2017: £4,000) and MSP charges of £90,000 (2017: £277,000). 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 16,071,000 options granted in the current year as part of the 2016 LTIP (2017: 16,197,000 options granted). There have been no MSP options granted in either the current or prior year.

	2018		2017	
	Number of share options (thousands)	Weighted average exercise price (£)	Number of share options (thousands)	Weighted average exercise price (£)
2016 LTIP				
Outstanding at 1 January	**22,551**	**—**	15,081	—
Granted during the year	**16,071**	**—**	16,197	—
Forfeited during the year	**(641)**	**—**	(8,727)	—
Outstanding at 31 December	**37,981**	**—**	22,551	—
MSP				
Outstanding at 1 January	**10,669**	**0.01**	17,665	0.01
Forfeited during the year	**(52)**	**0.01**	(2,611)	0.01
Exercised during the year	**(4,274)**	**0.01**	(4,385)	0.01
Outstanding at 31 December	**6,343**	**0.01**	10,669	0.01
Exercisable at 31 December	**6,343**	**0.01**	2,431	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 Group financial targets and either a share price or non-financial events measure over the vesting period.

All outstanding options granted under the MSP have vested and have an exercise price of 1 penny. 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. There have been no options granted in the current year (2017: nil) and options exercised in the current year total 4,274,000 (2017: 4,385,000).

The options outstanding at 31 December 2018 had a weighted average remaining contractual life of two years (2017: two years) in the 2016 LTIP and no years (2017: no years) in the MSP.

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

	LTIP 2016 April 2018
Weighted average share price	**£0.11**
Weighted average exercise price	**£nil**
Expected volatility	**150%**
Expected life	**3 years**
Risk-free rate	**0.67%**
Dividend yield	**0%**

There have been 16,071,000 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 £1,808,000.

During the year, the financial performance conditions relating to the April 2017 and November 2017 awards within the LTIP 2016 scheme were modified. The Group underlying operating profit targets were replaced by EBITDA targets for Ongoing Operations. The non-financial events measure has remained unchanged. The vesting period for these options is unchanged at 20 April 2020. The modification resulted in an incremental increase in the fair value of each option of £0.095, which increases the aggregate estimated value of the options by £310,000.

32. Share-based payment continued

Legacy share plans

Administrative expenses include no charge (2017: £nil) in relation to the RSP, 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:

	2018		2017	
	Number of share options (thousands)	Weighted average exercise price (£)	Number of share options (thousands)	Weighted average exercise price (£)
RSP				
Outstanding at 1 January	**50**	—	122	—
Forfeited during the year	—	—	(66)	—
Exercised during the year	**(10)**	—	(6)	—
Outstanding at 31 December	**40**	—	50	—
Exercisable at 31 December	**40**	—	50	—
2005 ESOP Scheme				
Outstanding at 1 January	**1,106**	**2.28**	1,166	2.23
Lapsed during the year	**—**	—	(40)	0.82
Forfeited during the year	—	—	(20)	2.28
Outstanding at 31 December	**1,106**	**2.28**	1,106	2.28
Exercisable at 31 December	**1,106**	**2.28**	1,106	2.28
2008 ESOP Scheme				
Outstanding at 1 January	**101**	**1.79**	151	1.79
Lapsed during the year	**(101)**	**1.79**	—	—
Forfeited during the year	**—**	—	(50)	1.79
Outstanding at 31 December	—	—	101	1.79
Exercisable at 31 December	—	—	101	1.79

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.

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

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33. Acquisition of subsidiaries

During 2018, the Group has acquired a 100% interest in Valeos and a 51.32% interest in Globiva. The net assets acquired and their provisional fair values were:

	Valeos		Globiva	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Net identifiable (liabilities)/assets acquired	(15)	(15)	1,267	1,483
Goodwill (note 15)	—	104	—	612
Cash consideration paid		89		1,356
Fair value of non-controlling interest at 48.68%		n/a		739
Cash consideration paid		89		1,356
Acquisition costs		11		61
Debt repaid by the Company on acquisition		135		—
Cash acquired on acquisition		(97)		(851)
Total cash outflow		138		566

Valeos

On 8 June 2018, the Group completed the 100% acquisition of the issued share capital of Valeos for total consideration of £89,000. The goodwill addition of £104,000 represents the difference between the acquisition cost and the fair value of net identifiable liabilities acquired of £15,000. Goodwill reflects the discounted future cash flows of Valeos' product offering which includes expected synergies from product enhancement, expanded distribution channels and available operational efficiencies. Valeos provides key cover products and is incorporated in England and Wales.

Acquisition costs of £11,000 have been recognised as an administrative expense through the consolidated income statement.

Included within the Group's consolidated income statement is revenue of £72,000 and a loss before tax of £23,000 relating to Valeos since the acquisition date. Valeos is recognised in the Ongoing Operations segment. If the acquisition had occurred on 1 January 2018, consolidated revenue and loss for the year ended 31 December 2018 would have included revenue of £88,000 and a loss of £41,000.

Globiva

On 7 September 2018, the Group agreed to take a majority holding in Globiva, a company incorporated in India. The Group has agreed to acquire 61% of the share capital of Globiva for a total cash consideration of approximately £2,000,000 (Indian rupee 184,000,000). The acquisition will be completed in three tranches and has been accounted for as a step acquisition during the year. There are no contingent conditions attached to the future payments.

On 7 September 2018, the Group paid the first tranche of £658,000 (Indian rupee 62,000,000) to acquire 34.51% of the issued share capital. At that time the acquired share capital resulted in a joint arrangement, accounted for as a joint venture within the Group.

On 30 November 2018 the Group paid the second tranche of £698,000 (Indian rupee 62,000,000) to increase its holding to 51.32% of the issued share capital, resulting in the Group holding a controlling majority share per IFRS 11. Globiva has been fully consolidated within the Group from that point as a subsidiary. The investment in joint venture was revalued to fair value at that time and the share of joint venture losses between 7 September 2018 and 30 November 2018 of £9,000 were included as an adjustment to pre-acquisition reserves recognised on consolidation.

The non-controlling interest was recognised on 30 November 2018 and is 48.68%. The Group has elected to account for the non-controlling interest using the proportionate share of the acquired entity's net identifiable assets. This resulted in a non-controlling interest of £739,000 (Indian rupee 65,348,000). The non-controlling interest share of losses since acquisition is £5,000.

The shareholder agreement provides certain protective rights to the founder shareholders; these conditions do not alter the Group's control of Globiva.

As part of the acquisition, an intangible asset of £304,000 has been identified, which represents the existing business partner relationships acquired as part of the business combination and the associated potential future profits. The asset is to be amortised on a straight line basis based on the timing of projected cash flows of the contracts over their estimated useful lives.

The goodwill addition of £612,000 represents the difference between the total acquisition cost including minority interest at 30 November 2018 and the fair value of net identifiable assets acquired of £1,483,000 (Indian rupee 134,240,000) which includes the intangible asset of £304,000. Goodwill reflects the discounted future cash flows of Globiva's operations including future operational efficiencies and through profitable external revenue streams.

33. Acquisition of subsidiaries continued

Globiva continued

The final tranche of approximately £650,000 (Indian rupee 60,000,000) will be paid in April 2019. The Group's total shareholding in Globiva after the final payment will be 61.0%. The Group will reassess the goodwill arising on acquisition following payment of the third and final tranche.

Included within the Group's consolidated income statement is revenue of £157,000 and a loss before tax of £11,000 relating to Globiva since the Group took a controlling holding. Globiva is recognised in the Ongoing Operations segment. If the acquisition had occurred on 1 January 2018, consolidated revenue and loss for the year ended 31 December 2018 would have included revenue of £742,000 and a loss of £160,000.

34. Reconciliation of operating cash flows

	2018 £'000	2017 Restated* £'000
(Loss)/profit for the year	**(385)**	4,722
Adjustments for		
Depreciation and amortisation	**866**	750
Share-based payment expense	**800**	270
Impairment loss on intangible assets	**—**	1,320
Impairment loss on property, plant and equipment	**71**	—
Reversal of freehold property impairment	**—**	(506)
Share of loss of joint ventures	**199**	—
Loss on disposal of property, plant and equipment	**75**	—
Loss on disposal of intangible assets	**11**	—
Investment revenues	**(531)**	(191)
Finance costs	**51**	313
Income tax charge/(credit)	**712**	(906)
Operating cash flows before movements in working capital	**1,869**	5,772
Increase in inventories	**(82)**	(25)
Increase in contract assets	**(1,756)**	(1,405)
Increase in receivables	**(2,691)**	(857)
Decrease in insurance assets	**6**	32
Increase/(decrease) in payables	**1**	(3,415)
Increase in contract liabilities	**2,407**	2,651
Decrease in insurance liabilities	**(89)**	(157)
Increase/(decrease) in provisions	**372**	(653)
Cash from operations	**37**	1,943
Income taxes paid	**(870)**	(765)
Net cash (used in)/from operating activities	**(833)**	1,178

* Certain figures for the year ended 31 December 2017 have been restated to reflect the adoption of IFRS 15. Net cash from operating activities for this period is unchanged from the original presentation.

Reconciliation of net funds

	Note	At 1 January 2018 £'000	Cash flow £'000	Foreign exchange and other non-cash movements £'000	At 31 December 2018 £'000
Net cash per cash flow statement	24	31,465	**(5,087)**	**(423)**	**25,955**
Liabilities from financing:					
Borrowings due within one year					
- Unamortised issue costs	27	6	—	**(6)**	—
Borrowings due outside of one year					
- Unamortised issue costs	27	—	**126**	**(36)**	**90**
Total movement in liabilities from financing		6	**126**	**(42)**	**90**
Total net funds		31,471	**(4,961)**	**(465)**	**26,045**

35. Change in accounting policy

The Group adopted IFRS 15 *Revenue from contracts with customers* effective from 1 January 2018 which led to updates in the revenue recognition accounting policy and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules retrospectively and has restated comparatives for the 2017 financial year, with the cumulative impact on retained earnings recognised in the opening balance sheet as at the earliest comparative period (1 January 2017).

The Group's revenue recognition approach is based on the benefits included within each product. The Group has a diverse range of products, where our products are similar in nature, individual market dynamics may require different contractual structures or product benefits. These differences across markets results in different approaches to the proportion of revenue to be recognised on inception or over the life of the policy. Our Indian market is where IFRS 15 has had the greatest impact. In previous reporting periods, consideration received from the sale of policies was recognised on inception to the level of introduction/renewal fee within the product terms and conditions, inclusive of an appropriate margin. The residual consideration was then recognised on a straight line basis over the life of the policy. Under IFRS 15, revenue has been allocated across each product's performance obligations using an expected cost plus a margin approach. Additionally IFRS 15 has led to bundled services and goods, to be separated and contract prices allocated to the separate elements. The greatest impact has been on our Extended Warranty and Phone Insurance products which include a wide range of benefits in addition to the core insurance offering. The impact of this has led to significant changes in timing of revenue recognition with many performance obligations being complete on inception of a policy. In our other markets, the previous proportion of revenue recognised on inception and over the life of the policy remains appropriate under the revised principles of IFRS 15.

As a result, the levels of contract liabilities have decreased as a higher level of revenue is recognised on inception. This is due to a number of performance obligations being considered satisfied on inception and now receiving a higher allocation of revenue. The impact is a reduction in contract liabilities of £11,282,000 at 31 December 2017 and £5,968,000 at 1 January 2017. As a number of policies are up to three years in duration, an element of contract liabilities is now reclassified into non-current liabilities. This amount is £593,000 at 31 December 2017.

In India the insurance cover in its products is provided through a group insurance policy. CPP pays the insurance premium and acts as a facilitator between the insurer and the customer. These insurance costs were previously recognised on a straight line basis over the life of the policy; however, under IFRS 15 the performance obligation in this respect is considered complete on inception and therefore the cost is recognised in full immediately. As a result, any previously deferred insurance costs have been expensed in the period they were incurred. Therefore adjustments to reduce insurance assets by £7,393,000 at 31 December 2017 and £2,728,000 at 1 January 2017 have been recognised.

The approach to commission costs under IFRS 15 is consistent with the previous treatment. Commission costs are recognised in line with the pattern of recognition of the associated revenue. However, with IFRS 15 leading to an increase in revenue recognition on inception this has resulted in an increase in commission cost recognised immediately. The adjustment to deferred commission is therefore £3,141,000 at 31 December 2017 and £2,875,000 at 1 January 2017. Additionally, an amount of commission costs deferred is deemed to be realised in a period greater than one year in line with the revenue associated with our policies that are up to three years in duration. Therefore an amount of commission costs deferred has been reclassified into non-current assets as contract assets. This amount is £349,000 at 31 December 2017.

As the adoption of IFRS 15 had a significant impact in our overseas operations, a foreign exchange loss has been recognised through our translation reserve on the consolidated balance sheet and the exchange difference in the consolidated statement of comprehensive income for £7,000 at 31 December 2017.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Impact on retained earnings at 1 January 2017:

	2017 £'000
Retained earnings - before IFRS 15 restatement	**25,902**
IFRS 15 adjustments:	
Reversal of contract liabilities where obligations are completed on inception	5,968
Reversal of insurance asset	(2,728)
Reversal of commission asset	(2,875)
Retained earnings - restated for adoption of IFRS 15	**26,267**

35. Change in accounting policy continued

	2017 £'000	IFRS 15 adjustment £'000	2017 Restated £'000
Consolidated balance sheet (extract)			
Non-current assets			
Deferred tax asset	1,554	(268)	1,286
Contract assets	—	349	349
Total non-current assets	4,493	81	4,574
Current assets			
Contract assets	—	2,927	2,927
Trade and other receivables	24,116	(13,810)	10,306
Total current assets	55,676	(10,883)	44,793
Total assets	60,169	(10,802)	49,367
Current liabilities			
Trade and other payables	(22,427)	1	(22,426)
Contract liabilities	(20,681)	11,875	(8,806)
Current liabilities	(45,152)	11,876	(33,276)
Net current assets	10,524	993	11,517
Non-current liabilities			
Contract liabilities	—	(593)	(593)
Non-current liabilities	—	(593)	(593)
Total liabilities	(45,152)	11,283	(33,869)
Net assets	15,017	481	15,498
Equity			
Translation reserve	771	(7)	764
Retained earnings	30,328	488	30,816
Total equity attributable to equity holders of the Company	15,017	481	15,498

	2017 £'000	IFRS 15 adjustment £'000	2017 Restated £'000
Consolidated income statement (extract)			
Revenue	91,435	5,613	97,048
Cost of sales	(49,598)	(5,222)	(54,820)
Gross profit	41,837	391	42,228
Operating profit	3,547	391	3,938
Profit before taxation	3,425	391	3,816
Taxation	1,174	(268)	906
Profit for the period attributable to equity holders of the Company	4,599	123	4,722

	Pence	Pence	Pence
Earnings per share:			
Basic	0.54	0.01	0.55
Diluted	0.52	0.01	0.53

	2017 £'000	IFRS 15 adjustment £'000	2017 Restated £'000
Consolidated statement of comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	(158)	(7)	(165)
Other comprehensive expense for the year net of taxation	(158)	(7)	(165)
Total comprehensive income for the period attributable to equity holders of the Company	4,441	116	4,557

36. 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:

	2018 £'000	2017 £'000
Within one year	**2,128**	1,434
In the second to fifth years inclusive	**3,404**	2,181
After five years	**—**	23
	5,532	3,638

The total of future minimum sublease payments expected to be received under non-cancellable subleases at the end of the reporting period is:

	2018 £'000	2017 £'000
Within one year	**157**	157
In the second to fifth years inclusive	**121**	278
	278	435

Sublease payments relate to office space in the UK.

37. 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 (ORL), 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 2018 was £90,000 plus VAT (2017: £28,000) and was payable under 30 day credit terms.

Mark Hamlin was appointed Chairman of Globiva on 24 August 2018. The fees for this role are paid to his consultancy company, ORL. The fee paid to ORL by the Group in 2018 was £28,000 (2017: £nil) and was payable under 25 day credit terms.

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

Remuneration of key management personnel

The remuneration of the Directors and senior management team, who are the key management personnel of the Group and Company, is set out below:

	2018 £'000	2017 £'000
Short-term employee benefits	**2,248**	2,421
Post-employment benefits	**82**	93
Termination benefits	**—**	253
Share-based payments	**512**	252
	2,842	3,019

Required disclosures regarding remuneration of the Directors are included in the Directors' remuneration report on pages 52 to 54.

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; adjusted underlying operating profit; and constant currency measures. Definitions of these are presented in the table below.

APM	Closest equivalent statutory measurement	Reconciling to statutory measures	Definition and purposes
Underlying operating profit	Operating profit	Consolidated income statement, 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.
Adjusted underlying operating profit	Operating profit	Page 35, consolidated income statement	Operating profit before the impact of exceptional items, MSP charges and investments for business growth projects. The Group considers this to be an important alternative measure of the Group performance and is consistent with how the business performance is reported to and assessed by the Board and the Audit Committee.
Investments for business growth projects	None		A grouping of business growth projects presently in start-up phase that will contribute to the future growth and sustainability of the Group. The projects, their values and the timeframe for inclusion within the grouping are pre-defined by associated investment plans. The investments for business growth projects currently include the following:
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.
Constant currency basis	Revenue, operating profit	Page 103	The year-on-year change in revenue and underlying operating profit retranslating the prior year reported results at the exchange rates applied in the current year. These measures are presented as a means of eliminating the effects of exchange rate fluctuations on the year-on-year reported results.
Live policies/ customers	None	Not applicable	The total number of active policies that provide continuing cover or services to policyholders.
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.
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.
Traditional markets	None	Not applicable	Collective term for our legacy business in the UK, Spain, Italy, Germany and Portugal.

Location	Segment	31 December 2018	31 December 2017
UK	Ongoing Operations	£0.7 million	£0.1 million
Blink	Ongoing Operations	£1.4 million	£0.8 million
Bangladesh	Ongoing Operations	£0.2 million	—
KYND	n/a	£0.2 million	—

Glossary continued

Constant currency tables

		Ongoing Operations								
	Restricted Operations	India	Spain	Turkey	Germany	Rest of World	Total	Central Functions	Share of joint venture losses	Total
2018 (£'000)										
Revenue	22,037	65,326	10,514	4,536	3,644	4,013	88,033	—	n/a	**110,070**
Revenue from Restricted Operations	22,037	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**22,037**
Revenue from Ongoing Operations	n/a	65,326	10,514	4,536	3,644	4,013	88,033	n/a	n/a	**88,033**
Underlying operating profit	10,071	2,675	1,389	577	(604)	(4,367)	(330)	(6,497)	(199)	**3,045**
Adjusted underlying operating profit	10,071	2,675	1,389	577	(604)	(2,086)	1,951	(6,497)	—	**5,525**
2017 performance, restated for IFRS 15, at 2017 average exchange rates (£'000)										
Revenue	27,658	45,645	11,294	4,288	4,216	3,947	69,390	—	n/a	**97,048**
Revenue from Restricted Operations	27,658	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**27,658**
Revenue from Ongoing Operations	n/a	45,645	11,294	4,288	4,216	3,947	69,390	n/a	n/a	**69,390**
Underlying operating profit	9,747	1,125	1,821	602	349	(2,221)	1,686	(7,134)	n/a	**4,299**
Adjusted underlying operating profit	9,747	1,125	1,821	602	349	(1,290)	2,607	(7,134)	n/a	**5,220**
Foreign exchange movements (£'000)										
Revenue	25	(3,160)	154	(1,062)	50	(63)	(4,081)	—	n/a	**(4,056)**
Revenue from Restricted Operations	25	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**25**
Revenue from Ongoing Operations	n/a	(3,160)	154	(1,062)	50	(63)	(4,081)	n/a	n/a	**(4,081)**
Underlying operating profit	(16)	(179)	41	(245)	36	(1)	(348)	—	n/a	**(364)**
Adjusted underlying operating profit	(16)	(179)	41	(245)	36	(3)	(350)	—	n/a	**(366)**
2017 at 2018 average exchange rates (£'000)										
Revenue	27,683	42,485	11,448	3,226	4,266	3,883	65,309	—	n/a	**92,992**
Revenue from Restricted Operations	27,683	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**27,683**
Revenue from Ongoing Operations	n/a	42,485	11,448	3,226	4,266	3,883	65,309	n/a	n/a	**65,309**
Underlying operating profit	9,731	946	1,862	357	385	(2,212)	1,338	(7,134)	n/a	**3,935**
Adjusted underlying operating profit	9,731	946	1,862	357	385	(1,293)	2,257	(7,134)	n/a	**4,854**
Year-on-year movement at constant exchange rates (%)										
Revenue	(20)%	54%	(8)%	41%	(15)%	3%	35%	n/a	n/a	**18%**
Revenue from Restricted Operations	(20)%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**(20)%**
Revenue from Ongoing Operations	n/a	54%	(8)%	41%	(15)%	3%	35%	n/a	n/a	**35%**
Underlying operating profit	3%	183%	(25)%	62%	(257)%	97%	(125)%	9%	n/a	**(23)%**
Adjusted underlying operating profit	3%	183%	(25)%	62%	(257)%	61%	(14)%	9%	n/a	**14%**

Company offices

International Support Centre
CPPGroup Plc
6 East Parade
Leeds
LS1 2AD
United Kingdom

Tel: +44 (0)113 487 7350
https://international.cppgroup.com

Country operation offices
England & Wales
Card Protection Plan Limited,
Homecare (Holdings) Limited
and Homecare Insurance Limited
Holgate Park
York
YO26 4GA
United Kingdom

Tel: +44 (0)1904 544500

All other UK subsidiaries
6 East Parade
Leeds
LS1 2AD

Tel: +44 (0)113 487 7350

Ireland
Unit 2
1st Floor 52 South Mall
Cork
Ireland

Tel: +35 (0)21 237 5290

Spain
Parque Empresarial Alvento
Via de los Poblados 1
Edif. B, 2ª Planta
28033 Madrid
Spain

Tel: +34 91 121 16 00
Fax: +34 91 121 16 16

Italy
Centro Direzionale Colleoni
Via Paracelso, 22-5° Piano
20864 Agrate Brianza
Monza e Brianza
Italy

Tel: +39 039 657801
Fax: +39 039 6894 293

Portugal
Avenida Joao Crisostomo, 30-6°
1050-127 Lisbon
Portugal

Tel: +351 213 241 730
Fax: +351 213 479 688

Germany
Amtsgericht
Regensburg
HRB 9457
Germany

Tel: +49 40 55 56 62 83
Fax: +49 40 55 56 63 030

Turkey
Degirmen Sokak. Nida Kule Plaza.
Kat:13 Ofis: 22
34742 Kozyatagı Istanbul
Turkey

Tel: +90 216 665 25 25
Fax: +90 216 665 25 24

Mexico
Cto. Guillermo Gonzalez Camerana
No. 1000 Piso 1, Desp. 102-B
Col. Centro Ciudad Santa Fe
Mexico, D.F.C.P.01210

Tel: +55 8000 3147
Fax: +55 8000 3148

India
Registered office address:
A-370, Second Floor
Kalkaji
New Delhi - 110019
India

Primary business address:
Ground Floor, Wing-A
Golf View Corp. Tower-A
Golf Course Road, DLF-V
Sector 42, Gurgaon-122002
Haryana
India

Tel: +91 124 409 3900
Fax: +91 124 404 1004

Globiva
AIHP Horizon,
Plot No.445, Udyog Vihar,
Phase V, Gurgaon-122015
Haryana
India

Tel: +91 124 400 3847

Bangladesh
FM Heights
1st Floor, House No 88
Road-10/1, Block D
Niketon
Dhaka 1212
Bangladesh

Malaysia
Penthouse (Level 27)
Centrepoint South,
The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

Tel: +60 3 2096 9577
Fax: +60 3 2096 9797

China
Room 6015, 6/F
The 21st Century Building
210 Century Avenue
Lujiazui, Pudong,
Shanghai 200120
China

Tel: +86 21 5172 7312

Hong Kong
42/F Central Plaza
18 Harbour Road
Wan Chai
Hong Kong

Tel: +852 3905 2328
Fax: +852 3547 9883

Shareholder information

Registered office:
CPPGroup Plc
6 East Parade
Leeds
LS1 2AD
United Kingdom

Tel: +44 (0)113 487 7350

The Company's shares are listed on AIM. Company information and share price details are available on the corporate website at https://international.cppgroup.com.

Company registration number:
07151159

Nominated adviser and broker:
Investec Bank plc
2 Gresham Street
London
EC2V 7QP

Auditor:
Deloitte LLP
1 City Square
Leeds
LS1 2AL

Legal advisers:
Slaughter and May
One Bunhill Row
London
EC1Y 8YY

Media consultants:
Aberfield Communications Limited
46 The Calls
Leeds
LS16 9AD

Shareholders who have a query regarding their shareholding should contact the Company's share registrar at:
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

By telephone +44 (0)20 8639 3399

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

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

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www.cppgroup.com

CPP Group, 6 East Parade, Leeds LS1 2AD, United Kingdom, Tel: +44 (0)113 487 7350