



# CPP Group

Half Year Report 2016

## CPPGroup Plc- Half year report for the six months ended 30 June 2016

CPPGroup Plc (CPP or the Group), the international assistance business, today announces its results for the six months ended 30 June 2016.

### Operational highlights

- New Chief Executive Officer (Jason Walsh), new Executive Director (Justine Shaw) and new Non-Executive Directors (Sir Richard Lapthorne, Mark Hamlin and Nick Cooper) appointed
- Strategic priorities identified to drive sustainable focused growth
- New product development well advanced; with OwlDetect, a new global cybersecurity proposition, targeted for launch in September 2016
- Commenced a review of options to focus on development of a cost effective IT platform more suited to the Group's needs
- Regulatory fine cleared, with the final scheduled instalment paid in July 2016

### Financial highlights

- Improved underlying operating profit from continuing operations of £3.6 million (H1 2015: £1.9 million)
- Group revenue from continuing operations of £35.4 million (H1 2015: £38.9 million), which includes £5.6 million (H1 2015: £2.8 million) from India
- The Group's annual renewal rate has remained stable at 72.9% (31 December 2015: 72.9%); an endorsement of the value customers continue to place on our products
- Live policy base returns to growth at 3.9 million (31 December 2015: 3.8 million); a significant milestone representing the first period of increased policy numbers since the end of 2011

Jason Walsh, Chief Executive Officer, commented:

“CPP delivered a solid underlying performance in the first half of the year, which demonstrated the resilience of the core business. Since I was appointed CEO in May we have been developing a strategic plan that will take this core strength and build on it and return the business to sustainable growth. We are actively developing new products and are very encouraged by the global potential for OwlDetect, our cybersecurity alert service, which we plan to launch next month.

Looking ahead it is vital that we return CPP to revenue growth, which will be supported by new product development. For this reason we were very encouraged by the rise in customer numbers to 3.9 million during the first half of the year, although we believe that we are still only scratching the surface of the potential market for our services. Meanwhile we continue to address our cost base, to ensure that the Group has the appropriate resources and tools to support its planned development.”

## Highlights – continuing operations

	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 June 2015 (Unaudited)
Revenue (£ millions)	35.4	38.9
Operating profit (£ millions)		
– Reported	2.6	20.5
– Underlying <sup>1</sup>	3.6	1.9
Profit for the period (£ millions) <sup>2</sup>	2.3	17.1
Basic earnings per share (pence)	0.27	2.48
Cash used in operations (£ millions) <sup>3</sup>	(5.6)	(4.0)
Net assets (£ millions)	12.9	5.3
Net funds (£ millions) <sup>4</sup>	29.5	36.9

1. Underlying operating profit excludes an exceptional item of £0.5 million (H1 2015: £18.9 million credit) and Matching Share Plan charges of £0.5 million (H1 2015: £0.3 million). Further detail of the exceptional item is provided in note 4 to the condensed consolidated interim financial statements.
2. Profit for the period includes profit after tax from continuing and discontinued operations.
3. Cash used in operations includes cash flows from continuing and discontinued operations. Cash flows include £6.4 million payment of the regulatory fine (H1 2015: £nil).
4. Net funds comprise cash and cash equivalents of £33.2 million (H1 2015: £38.0 million) partially offset by borrowings of £3.7 million (H1 2015: £1.1 million). Cash and cash equivalents includes cash held in the UK's regulated entities of £25.4 million (H1 2015: £33.3 million) which is either for regulatory purposes or restricted by the terms of the Voluntary Variation of Permissions (VVOP). Whilst not available to the wider Group, the restricted cash is available to the regulated entity in which it exists including for operational and residual redress purposes.

## Enquiries

### CPPGroup Plc

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### About CPP

CPP provides a range of assistance based services to customers in the UK and Ireland and in a number of international markets across Asia, Europe and Latin America. The Company's core propositions provide peace of mind for customers covering a range of areas including lost and stolen credit cards, identity theft, insurance of mobile devices, and passport assistance.

For more information on CPP visit [www.cppgroupplc.com](http://www.cppgroupplc.com)

## REGISTERED OFFICE

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Registered number: 07151159

## **CHIEF EXECUTIVE'S STATEMENT**

### **Introduction and first impressions**

My appointment as CEO on 16 May 2016, followed a period of uncertainty triggered on 18 March 2016 by a requisition made by Schroder Investment Management Limited, one of the Group's major shareholders, to replace the former Non-Executive Directors and the CEO. The general meeting that followed in early May resulted in the resolutions being passed, leading to my appointment and that of the new Non-Executive Directors.

An early assessment has been made to understand the immediate issues and priorities that the business faced and has had to deal with and focus on. The four immediate priorities for the business are:

- New revenue and customer volume growth;
- Investing in new product development, innovation and branding;
- Designing an appropriate organisation structure with an appropriate IT platform and focused supporting resources; and
- Promoting colleague engagement and development.

The executive team is strong and ownership of these priorities is allocated to members of the team who are directly accountable for their delivery. Colleague determination, morale and quality is evident and are critical ingredients to making a success of the business. This is demonstrated right across the Group with some of our overseas businesses showing some great growth and new business opportunities.

### **New revenue and customer volume growth**

This is fundamental to the success of the Group and we are being innovative in how this will be achieved by deviating from our standard models. Upfront marketing investment to support direct to consumer channels in addition to traditional business models are part of our new positioning which is serving to open up additional opportunities. There are exciting opportunities in our Asian markets with more 'traditional' products and services in addition to the positive response received across a large number of our markets towards our new product development. Customer volume will become an important metric as we open up our products to these new distribution strategies.

### **Investing in new product development, innovation and branding**

New product development and innovation is being driven by consumer insight and needs. Our newest product, OwlDetect, which is targeted for launch in September 2016, is a service that alerts a customer if any of their personal confidential information is being used or traded on the dark web. We are very excited about the global potential for OwlDetect, which draws on our deep understanding of customer needs and concerns and is absolutely in keeping with CPP's tradition of providing excellent value services that address key issues of consumer concern.

The next range of products currently under development, and soon to be launched, will centre around card loss and repatriation services delivered digitally and represent a real step forward in embracing new technology in an exciting way to deliver familiar products and services. This suite of products has both appeal and applicability across the Group; additionally they are service based propositions meaning that they can be traded in the UK

without restriction. We are excited by our new product development pipeline and associated channel development which we believe will position us well to maximise current and future market opportunities.

In another important step in the redevelopment of the Group, our marketing team have embarked on an exercise to re-brand the business. We have been trading successfully in many markets for a number of years, however, the time is now right to look for a fresh start under a new image, corporate identity and branding.

### **Designing an appropriate organisation structure**

The Group's structure will be redesigned to allow for a more cost effective and growth orientated operating model. This will look at our UK subsidiaries and how they are set up to promote good governance and customer treatment and also at new company structures, both in the UK and overseas, to promote and grow our new product initiatives.

A significant part of the cost base is invested in our IT platform. We have recently completed an in-depth review of our current IT arrangements and likely needs over the coming years. Following this we have started negotiations with SSP Limited, our current IT development partner, over a number of options that would reduce our IT spend and create a platform more suited to the Group's current and future needs.

### **Promoting colleague engagement and development**

Our colleagues are central to the business and are at the heart of providing great products and services to our customers. The importance we place in this is demonstrated through making our existing People & Culture Director a Board level executive appointment. This will create greater influence at the right levels to drive colleague engagement and performance.

### **Operational review**

The Group operates internationally in three regions: UK and Ireland which accounts for 45% of Group revenue; Europe and Latin America which accounts for 37% of Group revenue; and Asia Pacific which accounts for 18% of Group revenue. This distribution of revenue across the Group continues to change and due to good growth in our Asia market the dependency on the UK has reduced.

Our key international markets continue to make progress, particularly in Asia Pacific where we are developing a clear growth strategy supported by established and valued local partnerships. We have commenced a number of new campaigns in the period across key markets such as India, China and Turkey, with further opportunities identified in the majority of our other markets. During the period the UK has also implemented the price reductions and content enhancements indicated in the 2015 Annual Report. Whilst conditions in some of our markets continue to be challenging, the Group's annual renewal rate has remained encouraging at 72.9%, an endorsement of the value that existing customers place in our products. Overall, our net live customer base is growing again and is now 3.9 million.

## **Financial Review**

### **Summary**

Group revenue has declined by 9% for the half year to £35.4 million, continuing to reflect the natural decline in the UK renewal book as new regulated sales remain restricted through the terms of the VVOP. The UK decline has been partly mitigated by significant growth in India, where strong partnerships are emerging and future prospects look good.

Reported operating profit in the first half of the year is £2.6 million (H1 2015: £20.5 million, which included a net benefit of £18.6 million from exceptional items and Matching Share Plan (MSP) charges). Underlying operating profit, which excludes £0.5 million exceptional items and £0.5 million MSP charges, has improved to £3.6 million (H1 2015: £1.9 million). The improvement reflects increased profits in both India and the UK, and whilst trading conditions remain difficult in certain of our European markets, profit performance has remained broadly stable across all our other countries. Following the decision in 2015 to cease commission payments to UK Business Partners where they have no ongoing involvement in the renewal process and do not provide any service to the customer, investment through these ongoing savings has been made during the period into improving the customer value experience through product enhancements and price reductions. Certain Business Partners have acknowledged agreement with the Group's approach to commissions and the principle of it being to the benefit of customers, although the position with the majority of impacted Business Partners is not yet finalised.

Net finance costs and taxation total £0.3 million resulting in a profit after tax from continuing operations of £2.3 million (H1 2015: £16.9 million).

There are no discontinued operations in the current period (H1 2015: £0.2 million profit). The Group's reported profit for the period is therefore £2.3 million (H1 2015: £17.1 million).

### **Redress**

The Group has a remaining customer redress and associated cost provision at 30 June 2016 of £1.3 million, which reflects the Group's current estimate of the cost to complete residual customer redress activity. There has been no additional provision made in the first half of the year. The regulatory fine has been cleared with £6.4 million paid during the period and the final scheduled instalment of £2.1 million paid in July 2016.

### **Balance sheet, financing and cash flow**

The Group has continued to improve its financial position, increasing net assets to £12.9 million (31 December 2015: £10.0 million).

The Group's borrowing arrangements comprise a £5.0 million revolving credit facility which is available until February 2018, and a commission deferral balance of £1.4 million which is due for repayment in January 2017. At 30 June 2016, £2.5 million of the committed facility was utilised.

The Group's net funds position has decreased to £29.5 million at 30 June 2016 (31 December 2015: £37.6 million) as a result of capital expenditure on the Group's core platform IT system and payment of the regulatory fine. The net funds figure includes £25.4 million cash held in the UK's regulated entities which cannot be distributed to the

wider Group without regulator approval. These cash balances are either held for regulatory purposes or are restricted by the terms of the VVOP. The restricted cash is, however, available to use in the regulated entity in which it exists.

### **Summary and outlook**

The outlook for the business is positive, although we recognise the economic uncertainty currently present in some of our markets following the UK's decision to leave the EU and recent political events in Turkey. Colleague morale is good and all the early indicators are that our focus is on the right priorities to enable us to deliver against our growth objectives.

The Group's expectations for the full year remain unchanged, but we expect to see reduced performance levels in the remainder of the year due to the ongoing decline of the existing UK customer base, the investment in a better customer value experience in the UK and the effect of some delays in the launch of new products. Growth in new customer sales globally is expected to provide improved performance in 2017 and beyond.

The strategy and longer term viability of the business is based on the successful launch of new products globally and uncertainty in the medium term remains as this work is ongoing. However, new product development and innovation is gathering pace and the business is developing new propositions which will be fit for global application and launch in the coming months. This, coupled with our new branding initiative, will help to create the CPP of the future.

Jason Walsh  
Chief Executive Officer

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### CONSOLIDATED INCOME STATEMENT

	Note	6 months ended 30 June 2016 £'000 (Unaudited)	6 months ended 30 June 2015 restated (note 2) £'000 (Unaudited)	Year ended 31 December 2015 £'000 (Audited)
<b>Continuing operations</b>				
Revenue		35,441	38,908	76,771
Cost of sales		(12,230)	(18,073)	(32,346)
<b>Gross profit</b>		<b>23,211</b>	<b>20,835</b>	<b>44,425</b>
Administrative expenses		(20,586)	(383)	(21,443)
<b>Operating profit</b>		<b>2,625</b>	<b>20,452</b>	<b>22,982</b>
Analysed as:				
Underlying operating profit	3	3,650	1,867	6,863
Exceptional items	4	(549)	18,933	17,777
MSP charges	13	(476)	(348)	(1,658)
Investment revenues		120	131	282
Finance costs		(224)	(1,320)	(1,362)
<b>Profit before taxation</b>		<b>2,521</b>	<b>19,263</b>	<b>21,902</b>
Taxation	5	(230)	(2,351)	(3,374)
<b>Profit for the period from continuing operations</b>		<b>2,291</b>	<b>16,912</b>	<b>18,528</b>
<b>Discontinued operations</b>				
Profit for the period from discontinued operations		-	169	2,309
<b>Profit for the period attributable to equity holders of the Company</b>		<b>2,291</b>	<b>17,081</b>	<b>20,837</b>
<b>Basic earnings per share:</b>				
Continuing operations	7	0.27	2.48	2.42
Discontinued operations	7	-	0.02	0.30
		<b>0.27</b>	<b>2.50</b>	<b>2.72</b>
<b>Diluted earnings per share:</b>				
Continuing operations	7	0.26	2.46	2.41
Discontinued operations	7	-	0.02	0.30
		<b>0.26</b>	<b>2.48</b>	<b>2.71</b>



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>6 months ended 30 June 2016 £'000 (Unaudited)</b>	6 months ended 30 June 2015 £'000 (Unaudited)	Year ended 31 December 2015 £'000 (Audited)
Profit for the period	<b>2,291</b>	17,081	20,837
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of foreign operations	<b>(10)</b>	296	271
<b>Other comprehensive (expense)/income for the period net of taxation</b>	<b>(10)</b>	296	271
<b>Total comprehensive income for the period attributable to equity holders of the Company</b>	<b>2,281</b>	17,377	21,108

## CONSOLIDATED BALANCE SHEET

		30 June 2016 £'000 (Unaudited)	30 June 2015 £'000 (Unaudited)	31 December 2015 £'000 (Audited)
<b>Non-current assets</b>				
Intangible assets	8	7,893	2,810	4,825
Property, plant and equipment	8	3,545	3,657	3,502
Deferred tax asset		274	489	652
		<u>11,712</u>	<u>6,956</u>	<u>8,979</u>
<b>Current assets</b>				
Insurance assets		209	451	317
Inventories		37	89	43
Trade and other receivables		12,281	14,048	12,106
Cash and cash equivalents	9	33,222	38,019	39,810
		<u>45,749</u>	<u>52,607</u>	<u>52,276</u>
<b>Total assets</b>		<u>57,461</u>	<u>59,563</u>	<u>61,255</u>
<b>Current liabilities</b>				
Insurance liabilities		(970)	(1,651)	(1,189)
Income tax liabilities		(2,317)	(2,923)	(2,483)
Trade and other payables		(35,565)	(41,398)	(42,629)
Borrowings		(1,367)	-	-
Provisions	10	(1,771)	(4,437)	(2,254)
		<u>(41,990)</u>	<u>(50,409)</u>	<u>(48,555)</u>
<b>Net current assets</b>		<u>3,759</u>	<u>2,198</u>	<u>3,721</u>
<b>Non-current liabilities</b>				
Borrowings	11	(2,384)	(1,130)	(2,191)
Deferred tax liabilities		(141)	(13)	(308)
Trade and other payables		-	(2,125)	-
Provisions	10	-	(606)	(186)
		<u>(2,525)</u>	<u>(3,874)</u>	<u>(2,685)</u>
<b>Total liabilities</b>		<u>(44,515)</u>	<u>(54,283)</u>	<u>(51,240)</u>
<b>Net assets</b>		<u>12,946</u>	<u>5,280</u>	<u>10,015</u>
<b>Equity</b>				
Share capital	12	23,975	23,879	23,939
Share premium account		45,225	45,109	45,225
Merger reserve		(100,399)	(100,399)	(100,399)
Translation reserve		981	1,016	991
Equalisation reserve		5,328	6,870	6,243
ESOP reserve		13,889	12,223	13,093
Retained earnings		23,947	16,582	20,923
<b>Total equity attributable to equity holders of the Company</b>		<u>12,946</u>	<u>5,280</u>	<u>10,015</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Translation reserve £'000	Equalisation reserve £'000	ESOP reserve £'000	Retained earnings £'000	Total £'000
<b>6 months ended 30 June 2016 (Unaudited)</b>								
At 1 January 2016	23,939	45,225	(100,399)	991	6,243	13,093	20,923	10,015
Total comprehensive income	-	-	-	(10)	-	-	2,291	2,281
Movement on equalisation reserve	-	-	-	-	(915)	-	915	-
Current tax charge on equalisation reserve movement	-	-	-	-	-	-	(182)	(182)
Equity settled share-based payment charge	-	-	-	-	-	796	-	796
Exercise of share options	36	-	-	-	-	-	-	36
<b>At 30 June 2016</b>	<b>23,975</b>	<b>45,225</b>	<b>(100,399)</b>	<b>981</b>	<b>5,328</b>	<b>13,889</b>	<b>23,947</b>	<b>12,946</b>
<b>6 months ended 30 June 2015 (Unaudited)</b>								
At 1 January 2015	17,126	33,291	(100,399)	720	7,487	11,891	(991)	(30,875)
Total comprehensive income	-	-	-	296	-	-	17,081	17,377
Movement on equalisation reserve	-	-	-	-	(617)	-	617	-
Current tax charge on equalisation reserve movement	-	-	-	-	-	-	(125)	(125)
Equity settled share-based payment charge	-	-	-	-	-	332	-	332
Other ordinary share issues	6,753	11,818	-	-	-	-	-	18,571
<b>At 30 June 2015</b>	<b>23,879</b>	<b>45,109</b>	<b>(100,399)</b>	<b>1,016</b>	<b>6,870</b>	<b>12,223</b>	<b>16,582</b>	<b>5,280</b>
<b>Year ended 31 December 2015 (Audited)</b>								
At 1 January 2015	17,126	33,291	(100,399)	720	7,487	11,891	(991)	(30,875)
Total comprehensive income	-	-	-	271	-	-	20,837	21,108
Movement on equalisation reserve	-	-	-	-	(1,244)	-	1,244	-
Current tax charge on equalisation reserve movement	-	-	-	-	-	-	(252)	(252)
Equity settled share-based payment charge	-	-	-	-	-	1,466	-	1,466
Deferred tax on share-based payment charge	-	-	-	-	-	-	86	86
Purchase of ordinary shares	-	-	-	-	-	(264)	-	(264)
Exercise of share options	1	(1)	-	-	-	-	(1)	(1)
Other ordinary share issues	6,812	11,935	-	-	-	-	-	18,747
<b>At 31 December 2015</b>	<b>23,939</b>	<b>45,225</b>	<b>(100,399)</b>	<b>991</b>	<b>6,243</b>	<b>13,093</b>	<b>20,923</b>	<b>10,015</b>

## CONSOLIDATED CASH FLOW STATEMENT

	Note	6 months ended 30 June 2016 £'000 (Unaudited)	6 months ended 30 June 2015 £'000 (Unaudited)	Year ended 31 December 2015 £'000 (Audited)
<b>Net cash used in operating activities</b>	14	<b>(6,098)</b>	(4,167)	(1,360)
<b>Investing activities</b>				
Interest received		120	131	282
Purchases of property, plant and equipment		(186)	(140)	(194)
Purchases of intangible assets		(2,513)	(2,327)	(4,435)
<b>Net cash used in investing activities</b>		<b>(2,579)</b>	(2,336)	(4,347)
<b>Financing activities</b>				
Proceeds from/(repayment of) bank loans		1,500	(13,000)	(12,000)
Repayment of the Commission Deferral Agreement		-	(1,304)	(1,304)
Proceeds from the Second Commission Deferral Agreement		-	1,304	1,304
Interest paid		(189)	(882)	(903)
Cost of refinancing		-	(220)	(220)
Cost of compromising the Commission Deferral Agreement		-	(743)	(743)
Issue of ordinary share capital and associated costs		36	19,069	18,980
<b>Net cash generated by financing activities</b>		<b>1,347</b>	4,224	5,114
<b>Net decrease in cash and cash equivalents</b>		<b>(7,330)</b>	(2,279)	(593)
Effect of foreign exchange rate changes		742	(301)	(196)
Cash and cash equivalents at start of period		39,810	40,599	40,599
<b>Cash and cash equivalents at end of period</b>		<b>33,222</b>	38,019	39,810

## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

### **1 General information**

The condensed consolidated interim financial statements for the six months ended 30 June 2016 do not constitute statutory accounts as defined under Section 434 of the Companies Act 2006. The financial statements for the year ended 31 December 2015 were approved by the Board on 6 April 2016 and have been delivered to the Registrar of Companies. The Auditor, Deloitte LLP, reported on these financial statements; their report was unqualified, did not contain an emphasis of matter paragraph and did not contain statements under s498 (2) or (3) of the Companies Act 2006.

### **2 Accounting policies**

#### **Basis of preparation**

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2016 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The condensed consolidated interim financial statements should be read in conjunction with the Annual Report and Financial Statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed consolidated interim financial statements were approved for release on 17 August 2016.

In preparing the condensed consolidated interim financial statements the comparative amounts for the six months ended 30 June 2015 have been restated to reflect the Airport Angel business as discontinued.

The accounting policies applied are consistent with those used in preparing the statutory financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016. There are no new IFRSs or IFRICs that are effective for the first time for the six months ended 30 June 2016 which have a material impact on the Group.

#### **Going concern**

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

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

### 3 Segmental analysis

Segment revenue and performance for the current and comparative periods have been as follows:

	UK and Ireland £'000	Europe and Latin America £'000	Asia Pacific £'000	Total £'000
<b>Six months ended 30 June 2016 (Unaudited)</b>				
<b>Continuing operations</b>				
Revenue - external sales	15,482	13,441	6,518	35,441
Regional underlying operating profit	656	2,302	692	3,650
Exceptional items (note 4)				(549)
MSP charges				(476)
<b>Operating profit</b>				2,625
Investment revenues				120
Finance costs				(224)
<b>Profit before taxation</b>				2,521
Taxation				(230)
<b>Profit for the period from continuing operations</b>				2,291
<b>Discontinued operations</b>				
Profit for the period from discontinued operations				-
<b>Profit for the period</b>				2,291

	UK and Ireland £'000	Europe and Latin America £'000	Asia Pacific £'000	Total £'000
<b>Six months ended 30 June 2015 – restated (note 2) (Unaudited)</b>				
<b>Continuing operations</b>				
Revenue - external sales	22,159	12,926	3,823	38,908
Regional underlying operating (loss)/profit	(140)	2,102	(95)	1,867
Exceptional items (note 4)				18,933
MSP charges				(348)
<b>Operating profit</b>				20,452
Investment revenues				131
Finance costs				(1,320)
<b>Profit before taxation</b>				19,263
Taxation				(2,351)
<b>Profit for the period from continuing operations</b>				16,912
<b>Discontinued operations</b>				
Profit for the period from discontinued operations				169
<b>Profit for the period</b>				17,081

### 3 Segmental analysis (continued)

<b>Year ended 31 December 2015 (Audited)</b>	UK and Ireland £'000	Europe and Latin America £'000	Asia Pacific £'000	Total £'000
<b>Continuing operations</b>				
Revenue - external sales	42,979	25,455	8,337	76,771
Regional underlying operating profit	1,989	4,594	280	6,863
Exceptional items (note 4)				17,777
MSP charges				(1,658)
<b>Operating profit</b>				22,982
Investment revenues				282
Finance costs				(1,362)
<b>Profit before taxation</b>				21,902
Taxation				(3,374)
<b>Profit for the year from continuing operations</b>				18,528
<b>Discontinued operations</b>				
Profit for the year from discontinued operations				2,309
<b>Profit for the year</b>				20,837

For the purposes of resource allocation and assessing performance, operating costs and revenues are allocated to the regions in which they are earned or incurred. The above does not reflect additional annual net charges of central costs of £1,704,000 presented within UK and Ireland in the table above which has been charged to other regions for statutory purposes.

#### Segmental assets

	<b>30 June 2016</b> £'000 <b>(Unaudited)</b>	30 June 2015 restated (note 2) £'000 (Unaudited)	31 December 2015 £'000 (Audited)
UK and Ireland	42,344	48,323	47,667
Europe and Latin America	8,773	5,720	8,074
Asia Pacific	6,070	2,829	4,065
<b>Total segment assets</b>	<b>57,187</b>	56,872	59,806
Assets relating to discontinued operations	-	2,202	797
Unallocated assets	274	489	652
<b>Consolidated total assets</b>	<b>57,461</b>	59,563	61,255

Deferred tax is not allocated to segments.

### 3 Segmental analysis (continued)

#### Capital expenditure

	Intangible assets			Property, plant and equipment		
	6 months ended 30 June 2016	6 months ended 30 June 2015	Year ended 31 December 2015	30 June 2016	30 June 2015	31 December 2015
	£'000 (Unaudited)	£'000 (Unaudited)	£'000 (Audited)	£'000 (Unaudited)	£'000 (Unaudited)	£'000 (Audited)
<b>Continuing operations</b>						
UK and Ireland	3,082	2,357	4,415	165	125	129
Europe and Latin America	27	-	21	12	8	48
Asia Pacific	-	-	-	9	7	17
<b>Total continuing operations</b>	<b>3,109</b>	<b>2,357</b>	<b>4,436</b>	<b>186</b>	<b>140</b>	<b>194</b>

#### Revenue from major products

	6 months ended 30 June 2016	6 months ended 30 June 2015 restated (note 2)	Year ended 31 December 2015
	£'000 (Unaudited)	£'000 (Unaudited)	£'000 (Audited)
<b>Continuing operations</b>			
Retail assistance policies	32,401	34,229	68,139
Retail insurance policies	1,507	3,156	5,384
Wholesale policies	1,188	1,043	2,344
Non-policy revenue	345	480	904
<b>Revenue from continuing operations</b>	<b>35,441</b>	<b>38,908</b>	<b>76,771</b>

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



### 3 Segmental analysis (continued)

#### Geographical information

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

	External revenues			Non-current assets		
	6 months ended 30 June 2016	6 months ended 30 June 2015 restated (note 2)	Year ended 31 December 2015	30 June 2016	30 June 2015	31 December 2015
	£'000 (Unaudited)	£'000 (Unaudited)	£'000 (Audited)	£'000 (Unaudited)	£'000 (Unaudited)	£'000 (Audited)
<b>Continuing operations</b>						
UK	15,264	21,692	42,179	11,180	6,145	8,062
Spain	6,067	6,231	11,873	111	131	122
India	5,575	2,779	6,256	15	11	14
Other	8,535	8,206	16,463	132	180	129
<b>Total continuing operations</b>	<b>35,441</b>	<b>38,908</b>	<b>76,771</b>	<b>11,438</b>	<b>6,467</b>	<b>8,327</b>

#### 4 Exceptional items

	6 months ended 30 June 2016	6 months ended 30 June 2015 restated (note 2)	Year ended 31 December 2015
	£'000 (Unaudited)	£'000 (Unaudited)	£'000 (Audited)
Requisition costs	549	-	-
Commission deferral compromise and associated costs	-	(19,388)	(19,388)
Restructuring costs	-	455	711
Customer redress and associated costs	-	-	900
<b>Exceptional charge/(credit) included in operating profit</b>	<b>549</b>	<b>(18,933)</b>	<b>(17,777)</b>
Tax on exceptional items	-	1,916	2,344
<b>Total exceptional charge/(credit) after tax</b>	<b>549</b>	<b>(17,017)</b>	<b>(15,433)</b>

Requisition costs in the six month period of £549,000 (H1 2015: £nil; year ended 31 December 2015: £nil) relates to professional costs associated with the shareholder general meeting requisition and the subsequent interim injunction proceedings.

#### 5 Taxation

The effective tax rate at the half year is 9.1% (H1 2014: 12.2% restated; year ended 31 December 2015: 15.4%). The effective rate is lower than the standard rate of corporation tax in the UK due to brought forward UK losses and overseas tax losses, for which deferred tax assets were not previously recognised. The effective rate is partly impacted by higher rates of tax on overseas profits. The 2016 full year rate may vary from this due to the territory mix of future 2016 profits.

## 6 Dividends

The Directors have not proposed an interim dividend for 2016.

## 7 Earnings per share

Basic and diluted 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.

<b>Six months ended 30 June 2016 (Unaudited)</b>	<b>Continuing operations</b>	<b>Discontinued operations</b>	<b>Total</b>
<b>Earnings</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Profit for the purposes of basic and diluted earnings per share	<b>2,291</b>	-	<b>2,291</b>
Exceptional items (net of tax)	<b>549</b>	-	<b>549</b>
MSP charges (net of tax)	<b>476</b>	-	<b>476</b>
<b>Earnings for the purposes of underlying basic and diluted earnings per share</b>	<b>3,316</b>	-	<b>3,316</b>

### Number of shares

	<b>Number (thousands)</b>
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>852,854</b>
Effect of dilutive potential ordinary shares: share options	<b>27,902</b>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>880,756</b>

<b>Earnings per share</b>	<b>Continuing operations</b>	<b>Discontinued operations</b>	<b>Total</b>
	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
Basic earnings per share	<b>0.27</b>	-	<b>0.27</b>
Diluted earnings per share	<b>0.26</b>	-	<b>0.26</b>
Basic underlying earnings per share	<b>0.39</b>	-	<b>0.39</b>
Diluted underlying earnings per share	<b>0.38</b>	-	<b>0.38</b>

### Six months ended 30 June 2015 – restated (note 2) (Unaudited)

<b>Earnings</b>	<b>Continuing operations</b>	<b>Discontinued operations</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Earnings for the purposes of basic and diluted earnings per share	16,912	169	17,081
Exceptional items (net of tax)	(17,017)	25	(16,992)
MSP charges (net of tax)	283	-	283
<b>Earnings for the purposes of underlying basic and diluted earnings per share</b>	<b>178</b>	<b>194</b>	<b>372</b>

## 7 Earnings per share (continued)

### Number of shares

	Number (thousands)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	683,863
Effect of dilutive potential ordinary shares: share options	4,228
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>688,091</u>

Earnings per share	Continuing operations Pence	Discontinued operations Pence	Total Pence
Basic and diluted earnings per share			
Basic	2.48	0.02	2.50
Diluted	<u>2.46</u>	<u>0.02</u>	<u>2.48</u>
Basic and diluted underlying earnings per share	<u>0.02</u>	<u>0.03</u>	<u>0.05</u>

Year ended 31 December 2015 (Audited)	Continuing operations £'000	Discontinued operations £'000	Total £'000
<b>Earnings</b>			
Earnings for the purposes of basic and diluted earnings per share	18,528	2,309	20,837
Exceptional items (net of tax)	(15,433)	(38)	(15,471)
MSP charges (net of tax)	<u>1,318</u>	<u>-</u>	<u>1,318</u>
<b>Earnings for the purposes of underlying basic and diluted earnings per share</b>	<u>4,413</u>	<u>2,271</u>	<u>6,684</u>

### Number of shares

	Number (thousands)
Weighted average number of ordinary shares for the purposes of basic earnings per share	766,667
Effect of dilutive potential ordinary shares: share options	2,748
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>769,415</u>

Earnings per share	Continuing operations Pence	Discontinued operations Pence	Total Pence
Basic and diluted earnings per share			
Basic	2.42	0.30	2.72
Diluted	<u>2.41</u>	<u>0.30</u>	<u>2.71</u>
Basic and diluted underlying earnings per shares			
Basic	0.58	0.30	0.88
Diluted	<u>0.57</u>	<u>0.30</u>	<u>0.87</u>

## 8 Intangible and tangible assets

	Intangible assets £'000	Property, plant and equipment £'000	Total £'000
<b>Six months ended 30 June 2016 (Unaudited)</b>			
Carrying amount at 1 January 2016	4,825	3,502	8,327
Additions	3,109	186	3,295
Disposals	-	(15)	(15)
Amortisation/depreciation	(49)	(149)	(198)
Exchange adjustments	8	21	29
Impairment	-	-	-
<b>Carrying amount at 30 June 2016</b>	<b>7,893</b>	<b>3,545</b>	<b>11,438</b>
<b>Six months ended 30 June 2015 (Unaudited)</b>			
Carrying amount at 1 January 2015	808	3,820	4,628
Additions	2,357	140	2,497
Disposals	(1)	(8)	(9)
Amortisation/depreciation	(325)	(253)	(578)
Exchange adjustments	(8)	(42)	(50)
Impairment	(21)	-	(21)
<b>Carrying amount at 30 June 2015</b>	<b>2,810</b>	<b>3,657</b>	<b>6,467</b>
<b>Year ended 31 December 2015 (Audited)</b>			
Carrying amount at 1 January 2015	808	3,820	4,628
Additions	4,436	194	4,630
Disposals	(1)	(15)	(16)
Amortisation/depreciation	(391)	(465)	(856)
Exchange adjustments	(6)	(32)	(38)
Impairment	(21)	-	(21)
<b>Carrying amount at 31 December 2015</b>	<b>4,825</b>	<b>3,502</b>	<b>8,327</b>

The carrying value of intangible assets includes £7,667,000 (H1 2015: £2,621,000, 31 December 2015: £4,585,000) relating to the development of the core platform IT system, which is an asset under construction and will not be amortised until it becomes operational. The Group's contract with SSP Limited includes a minimum future commitment for costs relating to licensing and running the system of approximately £6,500,000.

## 9 Cash and cash equivalents

Cash and cash equivalents of £33,222,000 (H1 2015: £38,019,000; 31 December 2015: £39,810,000) comprises cash held on demand by the Group and short term deposits.

Cash and cash equivalents includes £25,402,000 (H1 2015: £33,265,000; 31 December 2015: £33,879,000) cash held in the UK's regulated entities CPPL and HIL. This cash is either maintained by the Group's insurance business for solvency purposes or restricted by the terms of the VVOP. The VVOP restricted cash cannot be distributed to the wider Group without FCA approval. The restricted cash whilst being unavailable to distribute to the wider Group, is available to the regulated entity in which it exists including for operational and residual customer redress purposes.

## 10 Provisions

	Customer redress and associated costs £'000	Onerous leases £'000	Total £'000
<b>Six months ended 30 June 2016 (Unaudited)</b>			
At 1 January 2016	1,611	829	2,440
Customer redress and associated costs paid in the period	(346)	-	(346)
Utilisation of onerous lease provision in the period	-	(323)	(323)
<b>At 30 June 2016</b>	<b>1,265</b>	<b>506</b>	<b>1,771</b>
<b>Six months ended 30 June 2015 (Unaudited)</b>			
At 1 January 2015	6,356	1,658	8,014
Customer redress and associated costs paid in the period	(1,829)	-	(1,829)
Utilisation of onerous lease provision in the period	-	(318)	(318)
Transfer to trade and other payables	(824)	-	(824)
<b>At 30 June 2015</b>	<b>3,703</b>	<b>1,340</b>	<b>5,043</b>
<b>Year ended 31 December 2015 (Audited)</b>			
At 1 January 2015	6,356	1,658	8,014
Charged/(credited) to the income statement	900	(97)	803
Customer redress and associated costs paid in the year	(4,821)	-	(4,821)
Utilisation of onerous lease provision in the year	-	(732)	(732)
Transfer to trade and other payables	(824)	-	(824)
<b>At 31 December 2015</b>	<b>1,611</b>	<b>829</b>	<b>2,440</b>

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

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

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

## 11 Borrowings

	30 June 2016 £'000 (Unaudited)	30 June 2015 £'000 (Unaudited)	31 December 2015 £'000 (Audited)
Second Commission Deferral Agreement	1,367	-	-
<b>Borrowings due within one year</b>	<b>1,367</b>	<b>-</b>	<b>-</b>
Bank loans due outside of one year	2,500	-	1,000
Less: unamortised issue costs	(116)	(190)	(152)
Second Commission Deferral Agreement	-	1,320	1,343
<b>Borrowings due outside of one year</b>	<b>2,384</b>	<b>1,130</b>	<b>2,191</b>

The borrowing facilities are secured by fixed and floating charges on certain assets of the Group.

At 30 June 2016, the Group had undrawn committed borrowing facilities of £2,500,000 (H1 2015: £5,000,000; 31 December 2015: £4,000,000).

## 12 Share capital

Share capital at 30 June 2016 amounted to £23,975,000, having increased from £23,939,000 at 31 December 2015. During the period the Company issued 3,646,875 ordinary shares for cash consideration of £36,000 to option holders under its share option schemes.

### 13 Share-based payment

Share-based payment charges for the six month period to 30 June 2016 comprise MSP charges of £500,000 (H1 2015: £310,000; 31 December 2015: £1,457,000) and Long Term Incentive Plan 2016 (2016 LTIP) charges of £296,000 (H1 2015: £nil; 31 December 2015: £nil). These costs are disclosed within administrative expenses, although the MSP share-based payment charge forms part of MSP charges not included in underlying operating profit.

	Number of share options (thousands)	Weighted average exercise price (£)
<b>Six months ended 30 June 2016 (Unaudited)</b>		
<b>MSP</b>		
Outstanding at 1 January 2016	36,135	0.01
Forfeited during the period	(10,500)	0.01
Exercised during the period	(3,647)	0.01
<b>Outstanding at 30 June 2016</b>	<b>21,988</b>	<b>0.01</b>
Exercisable at 30 June 2016	47	0.01
<b>2016 LTIP</b>		
Outstanding at 1 January 2016	-	-
Granted during the period	26,050	-
Forfeited during the period	(8,000)	-
<b>Outstanding at 30 June 2016</b>	<b>18,050</b>	-
<b>Six months ended 30 June 2015 (Unaudited)</b>		
<b>MSP</b>		
Outstanding at 1 January 2015	-	-
Granted during the period	25,650	0.01
<b>Outstanding at 30 June 2015</b>	<b>25,650</b>	<b>0.01</b>
<b>Year ended 31 December 2015 (Audited)</b>		
<b>MSP</b>		
Outstanding at 1 January 2015	-	-
Granted during the year	38,010	0.01
Forfeited during the year	(1,875)	0.01
<b>Outstanding at 31 December 2015</b>	<b>36,135</b>	<b>0.01</b>

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

The options outstanding at 30 June 2016 had a weighted average remaining contractual life of two years (30 June 2015: two years; 31 December 2015: two years) in the MSP and three years (30 June 2015: n/a; 31 December 2015: n/a) in the 2016 LTIP.

### 13 Share-based payment (continued)

The principal assumptions underlying the valuation of the 2016 LTIP options granted during the period at the date of grant are as follows:

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

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

### 14 Reconciliation of operating cash flows

	6 months ended 30 June 2016 £'000 (Unaudited)	6 months ended 30 June 2015 £'000 (Unaudited)	Year ended 31 December 2015 £'000 (Audited)
Profit for the period	2,291	17,081	20,837
<b>Adjustment for:</b>			
Depreciation and amortisation	198	578	856
Equity settled share-based payment expense	796	332	1,466
Impairment loss on intangible assets	-	21	21
Loss on disposal of property, plant and equipment	15	9	16
Commission deferral compromise and associated costs	-	(19,388)	(19,388)
Investment revenues	(120)	(131)	(282)
Finance costs	224	1,416	1,523
Income tax expense	230	2,351	3,017
<b>Operating cash flows before movement in working capital</b>	<b>3,634</b>	<b>2,269</b>	<b>8,066</b>
Decrease in insurance assets	108	142	276
Decrease in inventories	5	4	50
Decrease in receivables	590	254	2,234
Decrease in insurance liabilities	(219)	(368)	(830)
Decrease in payables	(9,093)	(3,310)	(4,410)
Decrease in provisions	(669)	(2,971)	(5,574)
<b>Cash used in operations</b>	<b>(5,644)</b>	<b>(3,980)</b>	<b>(188)</b>
Income taxes paid	(454)	(187)	(1,172)
<b>Net cash used in operating activities</b>	<b>(6,098)</b>	<b>(4,167)</b>	<b>(1,360)</b>



## 15 Related party transactions

### Transactions with related parties

The Group has agreed to settle legal fees incurred by Mr Hamish Ogston in relation to the interim injunction proceedings which were announced on 11 April 2016 and subsequently withdrawn on 25 April 2016. Payment of these costs is outstanding, but will not exceed £218,000. Mr Ogston is a substantial shareholder in the Group.

### Remuneration of key management personnel

The remuneration of the Directors and Senior Management Team, who are the key management personnel of the Group, is set out below:

	<b>6 months ended 30 June 2016 £'000 (Unaudited)</b>	6 months ended 30 June 2015 £'000 (Unaudited)	Year ended 31 December 2015 £'000 (Audited)
Short term employee benefits	<b>1,284</b>	1,322	4,098
Post-employment benefits	<b>72</b>	48	121
Termination benefits	-	235	239
Share-based payments	<b>568</b>	265	1,128
	<b>1,924</b>	1,870	5,586