27 MARCH 2019

CPPGROUP PLC

FULL YEAR REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Further strong international progress

CPPGroup Plc ("CPP" or "the Group"), the partner focused, global product and services company, today announces its full year results for the year ended 31 December 2018.

The Group made further strong progress in its international revenues and customer numbers led by India and Turkey. Further investment has been made in start-ups and technology that will underpin future product development. The European business has been restructured and the UK back book business well managed.

<u>Highlights</u>

- Group revenue increased by 13% to £110.1 million (2017 restated: £97.0 million) continuing the strong growth seen in 2017.
- Revenue from Ongoing Operations increased by 27% to £88.0 million (2017 restated: £69.4 million).
- Adjusted underlying operating profit increased by 6% to £5.5 million (2017 restated: £5.2 million).
- Currency depreciation in our growth markets, notably India and Turkey, adversely impacted reported results. At constant currency:
    - Group revenue increased 18%.
    - Revenue from Ongoing Operations increased 35%.
    - Revenue in India increased by 54% to £65.3 million (2017: £42.5 million).
    - Revenue in Turkey increased by 41% to £4.5 million (2017: £3.2 million).
    - Adjusted underlying operating profit increased by 14%.
- Underlying operating profit declined to £3.0 million (2017 restated: £4.3 million).
- Exceptional costs include £3.5 million in relation to restructuring activities in Europe and the UK. This action has streamlined operations and is expected to generate annual cost savings of between £4.0 million and £4.5 million.
- Profit before tax reduced to £0.3 million (2017 restated: £3.8 million).
- Strategic investments in KYND, Valeos and Globiva to enhance technology-led product capability and drive efficiencies in our value chain.
- Worldwide customer numbers across our 12 countries grew by 50% to 8.2 million (2017: 5.5 million) led by India and Turkey.

Note – all percentage change figures in the remainder of this report are presented on a constant currency basis, unless otherwise stated. The constant currency basis retranslates the previous year measures at the average actual exchange rates used in the current financial year. This approach is applied as a means of eliminating the effects of exchange rate movements on the year-on-year reported results.

Financial highlights

£ millions	31 December 2018	31 December 2017 Restated[1]	Change	Constant currency change
Group				
Revenue	110.1	97.0	13%	18%
Adjusted underlying operating profit[2]	5.5	5.2	6%	14%
Investment in business growth projects[3]	(2.5)	(0.9)	(168)%	(169)%
Underlying operating profit[4]	3.0	4.3	(29)%	(23)%
Profit before tax				
− Statutory	0.3	3.8	(91)%	(90)%
− Underlying[4]	3.5	4.2	(16)%	(7)%
(Loss)/earnings per share (pence)				
− Basic	(0.04)	0.55	(107)%	n/a
− Diluted	(0.04)	0.53	(108)%	n/a
Net funds	26.0	31.5	(17)%	n/a
Segmental revenue				
Restricted Operations – revenue	22.0	27.7	(20)%	(20)%
Ongoing Operations - revenue	88.0	69.4	27%	35%

1. Results for the year ended 31 December 2017 have been restated to reflect the adoption of IFRS 15. See note 15 to the condensed financial statements.
2. Adjusted underlying operating profit excludes costs associated with investments in business growth projects, exceptional items and Matching Share Plan (MSP) charges.
3. Investment in business growth projects of £2.5 million (2017: £0.9 million) comprises start-up costs relating to the UK £0.7 million (2017: £0.1 million), Blink £1.4 million (2017: £0.8 million), Bangladesh £0.2 million (2017: £nil) and our share of losses in KYND £0.2 million (2017: £nil).
4. Underlying operating profit and underlying profit before tax exclude exceptional items of £3.1 million (2017: £0.1 million) and MSP charges of £0.1 million (2017: £0.3 million). Further detail of the exceptional items is provided in note 5 to the condensed financial statements.

Jason Walsh, Chief Executive Officer, commented:

"2018 has been a year of continued strong progress for the business. We have stayed true to the core principles of our strategy and have 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.

Our global footprint is expanding gradually and we are continuing to deepen our partner and product reach in markets where we see significant growth potential. We are growing strongly in India and Turkey and are excited about our recent launch into Bangladesh and the prospects for our Chinese business now the technical infrastructure is complete.

We are looking to the future with increasing confidence and expect further strong strategic and operational progress in 2019."

Enquiries

CPPGroup Plc

Jason Walsh, Chief Executive Officer

Oliver Laird, Chief Financial Officer

Tel: +44 (0)113 487 7350

Nominated Adviser and Broker

Investec Bank plc: Sara Hale, James Rudd, Carlton Nelson

Tel: +44 (0)20 7597 5970

About CPP

CPP Group is a partner focused, global product and services company, specialising in the financial services and insurance markets. We use our local knowledge from 12 country markets within Asia, Europe and Central America to provide our business partners with technology-led product, marketing and distribution expertise that deliver commercial benefits and bring meaningful solutions to over 8 million end customers worldwide.

CPP's diverse range of insurance and assistance products can be designed to suit the bespoke needs of our business partners through providing their customers with peace of mind by reducing the stresses of everyday life, ranging from protection of mobile phones, payment cards and household belongings to keeping travel plans moving and the monitoring of compromised personal data.

CHAIRMAN'S STATEMENT

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 time and opportunity for the Board to monitor the Group's performance. Board Committees cover 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

STRATEGIC REVIEW AND PROGESS IN 2018

We continue to focus on our six strategic pillars to build on our existing capabilities but with an increased emphasis on 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.

Pillar 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.

In 2018, we extended key business partner contracts in high growth markets including with Bajaj in India and over ten new partner contracts were signed across the Group. We also established supplier content relationships that are being deployed into multiple markets.

Pillar 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.

In 2018, we formalised the EU Hub freeing up local leaders to drive business development, and new office space in Turkey, China and Spain was designed around culture.

Pillar 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.

In 2018, we extended our value chain in our Indian business with the Globiva investment; developed a capability for and launched Extended Warranty in Mexico and our bespoke IT platform in China went live.

Pillar 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.

In 2018 we 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 of £4.0 million to £4.5 million.

Pillar 5 - International expansion

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

In 2018, we launched in Bangladesh in a partnership with Eastern Bank Limited, one of the largest retail banks in the market and entered the Canadian market through our flight cancellation insurance with travel insurer Blue Cross.

Pillar 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.

In 2018 we took an investment stake in KYND to target a new market sector for CPP and build digital capabilities.

CHIEF EXECUTIVE'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.

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 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.

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 impact of Brexit through the formalisation of an EU operating hub in Madrid.

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 rates 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 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.

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 have 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

FINANCIAL AND OPERATIONAL REVIEW

Overview

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%). The Group has increased its investment in growth projects by £1.6 million in 2018 reflecting the focus on long-term growth and sustainability.

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 15 of the condensed financial statements.

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

1. Restated to reflect the adoption of IFRS 15.
2. Excluding exceptional items and MSP charges.

Segmental performance

We have repositioned the way we manage and report our business during 2018. The previous regional basis has been replaced by three new segments: Restricted Operations; Ongoing Operations; and Central Functions.

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.

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, UK, Blink and Bangladesh.

Restricted Operations (20% of Group Revenue):

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. 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 were pleased with continuing strong renewal rates of 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.

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 more notably a significantly lower allocation of central costs as it becomes a smaller proportion of Group revenue.

Ongoing Operations (80% of Group Revenue):

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 through our partner Bajaj. We extended this relationship during the year for a further three years into late 2021. Our Card 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.

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.

Revenue growth in these territories has been partly offset by a reduction in revenue from the declining renewal books of Spain and Germany. 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.

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 in joint venture	**(0.2)**	-	n/a	n/a
Group underlying operating profit	**3.0**	4.3	(29)%	(23)%

1. Restated for the impact of IFRS 15.

Underlying operating performance in Ongoing Operations has decreased by 125% to a loss of £0.3 million (2017 restated: £1.7 million profit). The reduction results from increased costs associated with new sales as we continue to grow revenue, 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. 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.

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 in joint venture	(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 costs 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).

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: £0.3 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.

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.

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 benefitted 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

RISKS AND UNCERTAINTIES

The Group's risk framework enables risks to be identified, measured, managed, monitored and reported consistently and objectively. The focus of our risk management framework is to ensure the Group is managed in a sustainable and controlled way, making risk-based decisions within our tolerance.

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 International Support Centre.

Risk & Control Self-assessment

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

Risk environment

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

The Group's principal risks and uncertainties are:

Financial

- Funding and liquidity

Business

- Strategic execution

Reputational

- Business reputation
- Third parties and business partners

Operational

- Technology and infrastructure
- Data governance
- Business resilience
- People

Conduct

- Regulatory compliance, customer lifecycle and product

Emerging

- Emerging risks

Consolidated income statement
For the year ended 31 December 2018

	Note	**2018 £'000**	2017 Restated* £'000
Revenue	4	**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 venture	10	**(199)**	—
Operating (loss)/profit		**(153)**	3,938
Analysed as:			
Underlying operating profit	4	**3,045**	4,299
Exceptional items	5	**(3,137)**	(67)
MSP charges	12	**(61)**	(294)
Investment revenues		**531**	191
Finance costs		**(51)**	(313)
Profit before taxation		**327**	3,816
Taxation		**(712)**	906
(Loss)/profit for the year		**(385)**	4,722

Attributable to:		
Equity holders of Company	**(380)**	4,722
Non-controlling interest	**(5)**	—
	(385)	4,722

(Loss)/earnings per share		**Pence**	Pence
Basic	6	**(0.04)**	0.55
Diluted	6	**(0.04)**	0.53

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

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 15.

Consolidated balance sheet
As at 31 December 2018

	Note	2018 £'000	2017 Restated* £'000
Non-current assets			
Goodwill	7	**1,492**	776
Other intangible assets	8	**2,788**	882
Property, plant and equipment	9	**1,717**	1,281
Investment in joint venture	10	**1,034**	—
Deferred tax asset		**1,225**	1,286
Contract assets		**479**	349
		8,735	4,574
Current assets			
Insurance assets		**24**	30
Inventories		**159**	65
Contract assets		**4,553**	2,927
Trade and other receivables		**13,704**	10,306
Cash and cash equivalents		**25,955**	31,465
		44,395	44,793
Total assets		**53,130**	49,367
Current liabilities			
Insurance liabilities		**(617)**	(706)
Income tax liabilities		**(536)**	(854)
Trade and other payables		**(22,906)**	(22,426)
Borrowings		**—**	6
Provisions		**(571)**	(490)
Contract liabilities		**(10,934)**	(8,806)
		(35,564)	(33,276)
Net current assets		**8,831**	11,517
Non-current liabilities			
Borrowings		**90**	—
Deferred tax liabilities		**(90)**	—
Provisions		**(291)**	—
Contract liabilities		**(1,009)**	(593)
		(1,300)	(593)
Total liabilities		**(36,864)**	(33,869)
Net assets		**16,266**	15,498

Equity			
Share capital	11	**24,021**	23,978
Share premium account		**45,225**	45,225
Merger reserve		**(100,399)**	(100,399)
Translation reserve		**478**	764
ESOP reserve		**15,884**	15,114
Retained earnings		**30,323**	30,816
Equity attributable to equity holders of the Company		**15,532**	15,498
Non-controlling interest		**734**	—
Total equity		**16,266**	15,498

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

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		—	—	—	—	—	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	12	—	—	—	—	271	—	271	—	271
Deferred tax on share-based payment charge		—	—	—	—	—	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	12	**—**	**—**	**—**	**—**	**770**	**—**	**770**	—	**770**
Deferred tax on share-based payment charge		**—**	**—**	**—**	**—**	**—**	**(113)**	**(113)**	—	**(113)**
Exercise of share options	11	**43**	**—**	**—**	**—**	**—**	**—**	**43**	—	**43**
Non-controlling interest on acquisition of a subsidiary	13	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**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 15.

Consolidated cash flow statement

For the year ended 31 December 2018

	Note	**2018 £'000**	2017 £'000
Net cash (used in)/from operating activities	14	**(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	13	**(704)**	(862)
Investment in joint venture	10	**(1,224)**	—
Net cash (used in)/from investing activities		**(4,120)**	3,492
Financing activities			
Repayment of the Second Commission Deferral Agreement		**—**	(1,304)
Costs of refinancing the bank facility		**(126)**	—
Interest paid		**(51)**	(304)
Issue of ordinary share capital and associated costs	11	**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		**25,955**	31,465

Notes to condensed financial statements

1. General information

While the financial information included in this annual results announcement has been computed in accordance with the recognition and measurement criteria of International Financial Reporting Standards as adopted for use by the European Union ('IFRS') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Company will publish full financial statements that comply with IFRS in April 2019.

The financial information set out above does not constitute the Company's statutory financial statements for the years ended 31 December 2018 or 31 December 2017, but is derived from the 2018 financial statements. Statutory financial statements for 2017 for the Company prepared under IFRS have been delivered to the Registrar of Companies and those for 2018 for the Company will be delivered following the Company's Annual General Meeting. The Auditor, Deloitte LLP, has reported on these financial statements; their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) of the Companies Act 2006. These 2018 financial statements were approved by the Board of Directors on 26 March 2019.

2. Accounting policies

The same accounting policies, presentation and methods of computation are followed in the condensed financial statements as were applied in the Group's audited financial statements for the year ended 31 December 2017. The following Standards and Interpretations have become effective and have been adopted in these condensed financial statements. No Standards or Interpretations have been adopted early in these condensed 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

Following the adoption of IFRS 15 the Group has changed its accounting policies and made certain retrospective adjustments to comparative information, which are disclosed in note 15. 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 the 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 comparative segmental information has been represented to reflect the change. Further detail is included in note 4.

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.

Leases in which the Group is a lessor

The Group will reassess the classification of sub-leases in which the Group is a lessor. Based on the information currently available, the Group expects that it will reclassify two sub-leases 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. Critical accounting judgements and key sources of estimation uncertainty

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.

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.

4. 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)	**10,071**	**(330)**	**(6,497)**	**3,244**
Share of loss of joint ventures				**(199)**
Underlying operating profit				**3,045**
Exceptional items (note 5)				**(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)**

	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 5)				(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 15.

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 15.

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	**2,285**	401	**1,066**	847

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

* Balance restated for the impact of IFRS 15. See note 15.

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.

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 15.

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 investments in joint ventures and deferred tax) by geographical location are detailed below:

	External revenues		Non-current assets	
	2018 £'000	2017 Restated* £'000	**2018 £'000**	2017 Restated* £'000
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
	110,070	97,048	**6,476**	3,288

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

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.

5. Exceptional items

	Note	**2018 £'000**	2017 £'000
Restructuring costs		**3,477**	—
Customer redress and associated costs		**(340)**	(307)
Aborted IT platform costs		**—**	880
Reversal of freehold property impairment		**—**	(506)
Exceptional charge included in operating 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.

6. (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

	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

Number of shares

	Number (thousands)	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

	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 for the impact of IFRS 15. See note 15.

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.

7. Goodwill

	2018 £'000	2017 £'000
Cost and carrying value		
At 1 January	**776**	—
Recognised on 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 13 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.

8. 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**

9. 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 amortisation:					
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**

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.

10. 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 13 for further information on the Globiva step acquisition.

11. 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	**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 12.

12. 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	—
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.

13. 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 7)		104		612
Cash consideration paid		**89**		**1,356**
Fair value of non-controlling interest in Globiva		—		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 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.

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.

14. 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)
Loss on disposal of intangible assets	**11**	—
Loss on disposal of property, plant and equipment	**75**	—
Share of losses in joint ventures	**199**	—
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

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

Total net funds	**31,471**	**(4,961)**	**(465)**	**26,045**

15. 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 are 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 contract liabilities 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**

	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
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 tax	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)
Profit for the period attributable to equity holders of the Company	4,441	116	4,557

16. 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 2017 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.

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:

	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

Cautionary statement

This announcement has been prepared solely to provide additional information to shareholders as a body to meet the relevant requirements of the UK Listing Authority. The announcement should not be relied on by any other party or for any other purpose.

The announcement contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of approval of the announcement but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information. Subject to the requirements of the UK Listing Authority, CPP undertakes no obligation to update these forward-looking statements and it will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this announcement.