CPPGROUP PLC

4 SEPTEMBER 2019

HALF YEAR REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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International expansion driving growth and building value

CPPGroup Plc (CPP or the Group), the partner focused, global product and services company, today announces its results for the six months ended 30 June 2019.

The Group has seen continued expansion in its international revenues and customer numbers led by India. New business partners continue to be added to our portfolio and further investment has been made in our InsurTech capabilities to deliver strategic advantage.

Highlights

- Group revenue increased by 17% to £60.2 million (H1 2018: £51.3 million) continuing the strong growth trajectory from previous periods.
- Revenue from Ongoing Operations increased by 28% to £51.4 million (H1 2018: £40.0 million), which includes a 45% increase in Indian revenue to £40.9 million (H1 2018: £28.3 million).
- Adjusted EBITDA increased by 25% to £3.6 million (H1 2018: £2.9 million).
- EBITDA increased by 30% to £2.3 million (H1 2018: £1.8 million).
- Overall, currency movements across our international markets adversely impacted reported results. At constant currency:
    - Group revenue increased 19%.
    - Revenue from Ongoing Operations increased 30%.
    - Adjusted EBITDA increased by 34%.
    - EBITDA increased by 44%.
- Profit before tax reduced by 36% to £0.9 million (H1 2018: £1.3 million).
- Customer numbers have increased to 9.0 million (H1 2018: 6.7 million; 31 December 2018: 8.2 million).

Strategic progress

- Diversification of our Indian business gathers pace through the launch of a new product line, LivCare, and new business partner contracts with Tata Capital Financial Services (Tata) and American Express.
- Strong existing and exciting new partners, such as Chinese banking giant Bank of Communications (BoCom), gives potential access to over 200 million customers.
- Pioneering parametric insurance platform[1] developed by Blink to transform the events-based insurance market.
- Globiva performing ahead of expectations, forming partnerships with global brands and colleague numbers increasing to over 1,400.

1. Parametric insurance is a type of insurance that does not indemnify the pure loss, but instead agrees to make a payment upon the occurrence of a triggering event. Blink focuses on flight disruption solutions and has developed an innovative technology platform to deliver customers a proactive, real-time service.

Note – All subsequent percentage change figures within this report are presented on a constant currency basis, unless otherwise stated. The constant currency basis, which is an Alternative Performance Measure (APM), retranslates the previous period measures at the average actual periodic exchange rates used in the current financial period. This approach is applied as a means of eliminating the effects of exchange rate movements on the period-on-period reported results.

Financial highlights

£ millions	**Six months ended 30 June 2019 (Unaudited)**	Six months ended 30 June 2018[1] (Unaudited)	Change	Constant currency change
Group				
Revenue	**60.2**	51.3	17%	19%
Adjusted EBITDA[3]	**3.6**	2.9	25%	34%
Investments in business growth projects[4]	**(1.3)**	(1.1)	(18)%	(18)%
EBITDA[2]	**2.3**	1.8	30%	44%
Profit before tax	**0.9**	1.3	(36)%	(31)%
Basic (loss)/earnings per share (pence)	**(0.01)**	0.05	(126)%	n/a
Net funds[5]	**15.8**	29.5	(46)%	n/a
Segmental revenue				
Ongoing Operations	**51.4**	40.0	28%	30%
Restricted Operations	**8.8**	11.3	(21)%	(21)%

1. IFRS 16 *Leases* was effective from 1 January 2019, in accordance with transition provisions allowed within the new standard the rules have been applied retrospectively and as a result 2018 comparative figures have not been restated.
2. EBITDA represents earnings before interest, taxation, depreciation, amortisation, exceptional items and Matching Share Plan (MSP) charges.
3. Adjusted EBITDA excludes costs associated with investments in business growth projects.
4. Investments in business growth projects of £1.3 million (H1 2018: £1.1 million) comprises start-up costs relating to the UK £0.4 million (H1 2018: £0.2 million), Blink £0.5 million (H1 2018: £0.8 million), Bangladesh £0.1 million (H1 2018: £nil), Southeast Asia £0.1 million (H1 2018: n/a) and our share of losses in KYND £0.2 million (H1 2018: £0.1 million).
5. Net funds comprise cash and cash equivalents of £22.4 million (H1 2018: £29.4 million), a borrowing asset of £nil (H1 2018: £0.1 million) and net investment lease assets of £0.2 million (H1 2018: £nil) less lease liabilities of £6.8 million (H1 2018: £nil). Lease liabilities and net investment lease assets have been recognised following the adoption of IFRS 16 *Leases* on 1 January 2019, further detail is provided in note 10 to the condensed consolidated interim financial statements.

Jason Walsh, Chief Executive Officer, commented:

“We are starting to see the rewards from the assembly of our capabilities, each of which plays its part in supporting the Group’s operations. Blink is our InsurTech business where already over 250,000 customers have had access to its parametric insurance platform and Globiva, the start-up business process management company, is growing rapidly and now has over 1,400 billable seats and boasts global brands like Ola, American Express and Tui amongst its third party clients.

We continue to grow our international revenues, with the strong performance that we saw in 2018 being continued through the first half of 2019. Our Indian operations have once again been the star performer significantly growing its revenue, profitability and customer numbers.

Ultimately, our success is built on our business partner relationships which we continue to deepen and importantly we are forming new partnerships with major brands in our strategically important markets. These new and existing relationships will develop over time and fuel the continued growth in our business. We are investing in our technology-led capability which will continue to strengthen our partnerships and enable more nimble and cost-effective proposition delivery as well as an exceptional customer experience.”

Enquiries

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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 9 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.

For more information on CPP visit https://international.cppgroup.com

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CHIEF EXECUTIVE'S STATEMENT

Financial performance

Six months ended 30 June	2019 £'m	2018[1] £'m	Change	Constant currency change
Revenue	**60.2**	51.3	17%	19%
EBITDA	**2.3**	1.8	30%	44%
Operating Profit	**0.9**	1.2	(25)%	(18)%
Profit Before Tax	**0.9**	1.3	(36)%	(31)%

1. IFRS 16 has been retrospectively applied and as a result 2018 comparatives have not been restated.

Group revenue of £60.2 million (H1 2018: £51.3 million) has grown by 19% and customer numbers have increased by 10% to 9.0 million (H1 2018: 6.7 million; 31 December 2018: 8.2 million) we have also increased our active business partners by 13%. This growth has been led by our Indian market which has seen revenue increase by 44% as we continue to deepen existing partner relationships through additional product launches and opening up incremental channels. In addition, we are expanding our partner base in India with deals signed with Tata and American Express.

As a business we focus on EBITDA which has increased to £2.3 million (H1 2018: £1.8 million). The Group has opted not to restate 2018 results for IFRS 16, however to aid comparability, H1 2018 EBITDA on an IFRS 16 basis would have been £0.3 million higher at £2.1 million. The marginal increase in EBITDA of £0.2 million on a like-for-like basis reflects business growth in India along with the benefit of restructuring activities in our European markets, partly offset by the continued decline in our European back books. Our adjusted EBITDA, which excludes the impact of investment in business growth projects, has increased by 34% to £3.6 million (H1 2018: £2.9 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 operation in particular has higher costs associated with sales than the European back books it is replacing. This is reflected in the reduced gross profit margin of 32% (H1 2018: 39%), which we expect to settle at a lower level in the medium term. We expect to generate longer-term margin improvements through investment in the value chain and digital capability.

Operating profit has reduced to £0.9 million (H1 2018: £1.2 million) reflecting our EBITDA growth offset by higher depreciation charges associated with IFRS 16. As a result, profit before tax has reduced to £0.9 million (H1 2018: £1.3 million).

The Group's effective tax rate of 118% (H1 2018: 68%) continues to be significantly higher than the standard UK corporation tax rate of 19%. The rate reflects charges on taxable profits in India and our EU Hub where tax rates are higher than the UK. However, the main driver of the rate is our policy to only recognise deferred tax assets on start-up losses when profit forecasts indicate short-term tax loss utilisation. The effective rate is expected to continue to be high whilst we invest in business growth projects which generate short-term start-up losses. As a result we report a loss after tax of £0.2 million (H1 2018: £0.4 million profit).

Segmental performance

Revenue	H1 2019 £'m	H1 2018 £'m	Change	Constant currency change
Ongoing Operations:				
India	**40.9**	28.3	45%	44%
EU Hub	**6.8**	8.1	(17)%	(15)%
Turkey	**2.1**	2.5	(15)%	10%
Rest of World[1]	**1.6**	1.1	41%	37%
Total Ongoing Operations	**51.4**	40.0	28%	30%
Restricted Operations	**8.8**	11.3	(21)%	(21)%
Group revenue	**60.2**	51.3	17%	19%

1. Rest of World comprises China, Malaysia, Mexico, the UK, Blink, Bangladesh and Southeast Asia.

EBITDA	H1 2019 £'m	H1 2018 £'m	Change	Constant currency change
Ongoing Operations:				
India	**2.2**	0.6	263%	262%
EU Hub	**0.9**	0.3	181%	191%
Turkey	**0.5**	0.4	18%	91%
Rest of World	**(1.5)**	(1.7)	12%	12%
Total Ongoing Operations	**2.1**	(0.4)	589%	452%
Restricted Operations	**3.2**	5.5	(42)%	(42)%
Central Functions	**(2.8)**	(3.2)	14%	14%
Segmental EBITDA	**2.5**	1.9	34%	48%
Share of loss of joint venture	**(0.2)**	(0.1)	(129)%	(129)%
Group EBITDA	**2.3**	1.8	30%	44%

Ongoing Operations

Revenue has increased 30% to £51.4 million (H1 2018: £40.0 million) due to strong new customer acquisitions in India and the rapid expansion of Globiva, our majority owned business process management (BPM) company in India. This growth has been partly offset by a revenue reduction in our EU Hub where the renewal book decline is outweighing new revenue generation.

EBITDA has increased significantly to £2.1 million (H1 2018: £0.4 million loss), fuelled by the growth in India, along with reduced costs in our EU Hub following the restructuring activity in 2018. The investments in business growth projects have increased marginally period-on-period to £1.1 million (H1 2018: £1.0 million). These costs are included in Rest of World and comprise the UK, Blink, Bangladesh and Southeast Asia.

The move to profit and a strongly growing EBITDA in our Ongoing Operations segment represents a significant milestone for the Group and one which will see us being much less dependent on our historic legacy business which is in a natural decline.

Restricted operations

Revenue has decreased by 21% to £8.8 million (H1 2018: £11.3 million) reflecting the natural decline in the legacy renewal books of Card Protection Plan Limited (CPPL) and Homecare Insurance Limited (HIL), although renewal rates across these books of customers remain strong at 84%. This decline along with marginally higher transfer pricing charges, has led to a 42% reduction in EBITDA to £3.2 million (H1 2018: £5.5 million). The prior period also benefitted from a review of contractual provisions. Due to the timing of headcount reductions the full cost benefit from the 2018 restructuring activities in CPPL will be realised in future periods.

Central Functions
The central cost base was reduced by 14% to £2.8 million (H1 2018: £3.2 million) following contractual savings and initial steps in streamlining our UK-based IT function. Our decentralised IT strategy is expected to generate further central cost savings in the future.

Adjusted EBITDA

	H1 2019 £'m	**Investment in business growth projects[1] £'m**	**H1 2019 adjusted EBITDA £'m**	**H1 2019 adjusted margin[2] %**	H1 2018 adjusted EBITDA £'m	H1 2018 adjusted margin %	Change	Constant currency change
Ongoing Operations	**2.1**	**1.1**	**3.2**	**6%**	0.6	2%	416%	614%
Restricted Operations	**3.2**	**-**	**3.2**	**36%**	5.5	49%	(42)%	(42)%
Central Functions	**(2.8)**	**-**	**(2.8)**	**(100)%**	(3.2)	(100)%	14%	14%
Segmental EBITDA	**2.5**	**1.1**	**3.6**	**6%**	2.9	6%	25%	34%
Share of loss of joint venture	**(0.2)**	**0.2**	**-**	**n/a**	-	n/a	n/a	n/a
Group EBITDA	**2.3**	**1.3**	**3.6**	**6%**	2.9	6%	25%	34%

1. Investment in business growth projects in Ongoing Operations are UK £0.4 million (H1 2018: £0.2 million), Blink £0.5 million (H1 2018: £0.8 million), Bangladesh £0.1 million (H1 2018: £nil) and Southeast Asia £0.1 million (H1 2018: £nil). These projects are disclosed within Rest of World.
2. Adjusted margin is defined as adjusted EBITDA divided by revenue.

The Group's adjusted EBITDA is £3.6 million (H1 2018: £2.9 million). Adjusted EBITDA excludes investments in business growth projects which reflect start-up losses in markets that will contribute to growth in the future. The Group's adjusted EBITDA margin, which is reflective of our more mature business, is 6% (H1 2018: 6%) compared to the reported margin of 4% (H1 2018: 3%). Importantly, adjusted EBITDA in our Ongoing Operations is now at the same level as the EBITDA from our Restricted Operations demonstrating the shift in focus and dependency to growing markets which will take the business forward.

Building value
The Group continues to follow its strategic principles, which provide the foundations upon which future value will be built. CPP is a diverse Group where structural, geographical and technical differences in our countries mean that they drive and build value for themselves and the Group in different ways. Following these principles will mean that the Group will continue to focus on value creation of its individual business lines as a route to increasing overall Group valuation.

We operate a business to business to consumer (B2B2C) model and recognise that the key to our success is the strength of the reciprocal business partner relationships that we build and nurture. Our priority is to establish strong relationships with market-leading partners that have large accessible customer bases where we can build trust and demonstrate the ability to deliver innovative solutions. We are experts in providing technology-led propositions that deliver additional revenue and customer loyalty for our partners in a fully managed, brand enhancing customer experience. It is this expertise that enables us to deepen our partner relationships and gain access to a greater proportion of their customer base through product and channel expansion. Our existing partner base already allows us potential access to over 200 million customers.

In India, where we have successfully followed this strategy, we are continuing to grow rapidly and are delivering increasingly robust profits. We have a strong trusted relationship with the Bajaj Group (Bajaj), successfully launching new innovative products including, most recently in April 2019, a new life insurance and wellness product, LivCare. New partnership deals with international businesses like American Express add greatly to our potential customer base whilst enhancing our market reputation. India demonstrates how we identify and create propositions to fulfil the needs of our partner's customers, whilst at the same time significantly boosting our customer numbers, revenue streams and market value.

Our strategy also includes investing in growth markets and technology innovation. We have achieved this through shrewd targeted investment in start-up companies like Blink and Globiva. These companies, whilst providing different competitive advantages to the Group, are similar in their innovative nature and drive to grow at pace, which will over time add significant value to the Group.

Blink is part of our investment in the InsurTech market and with its in-house developed event-based parametric insurance platform is pioneering technology that promises to transform the core travel insurance market. Placing technology at the forefront of its proposition delivery means that insurance solutions are delivered in a customer-focused way with minimal ongoing delivery costs. Whilst providing the necessary oversight and support, the Group has deliberately not fully integrated Blink allowing it to operate autonomously when delivering product and platform solutions to partners. Blink already has two live campaigns in Canada with Blue Cross and Manulife and there are more at final contract stage in other parts of the world. We are excited by Blink's prospects and the market value it represents both on a standalone basis and as part of the Group.

Globiva forms an important part of the Group's margin expansion plans as well as generating third party business relationships and opportunities. Since acquisition, Globiva has grown rapidly, exceeding our initial expectations, with international brands such as Ola, American Express and TUI using the services. This growth has resulted in the business expanding to three locations (two in Delhi and one in Kolkata) with over 1,400 colleagues employed. Globiva operates within a buoyant Indian economy and with growth expected to continue over the next three years to in excess of 3,000 colleagues, we believe that the market value of the business is already significantly in excess of our investment.

Building strategic advantage through technology

We understand the impact technology has on the successful creation of value within any organisation. Our focus is on being a technology-led business that invests in digital capabilities to deliver strategic advantage to our partners by enhancing their customer journeys and helping them to monetise their data.

We have commenced the build of our global technology platform that can be delivered in-country according to local business partner requirements. This will enable a nimble, responsive platform to be created by local specialists at a cost that is appropriate to that market. We will also be better positioned to meet the global challenge that companies are facing where in-country data residency and ownership is increasingly a demand of local legislation. This decentralised approach to IT will prove to be a competitive strength, although technology risk associated with successfully executing our IT strategy remains in the short-term. Focusing on this part of our technology journey will also enable us to move away from inflexible legacy systems which will generate further cost and operational efficiencies.

Operational review

Our Indian business has continued to grow rapidly with customer numbers increasing by 1.0 million in H1 to 6.9 million (H1 2018: 4.4 million; 31 December 2018: 5.9 million) and is becoming increasingly robust as we successfully diversify the partner and product base. Bajaj continues to represent our most significant partnership, however, importantly we have signed new Card Protection campaigns with SBI Cards and Axis Bank which will lead to a notable increase in customer numbers and strength in our renewal business.

China is a strategically important market and we are pleased that, under new leadership, revenue has grown by 84% period-on–period. This reflects innovative marketing strategies with key partners Ping-An Bank and SPDB to increase sales of our Card Protection and Smart Travel products. In addition, we were pleased to launch a new campaign with banking giant BoCom. Powered by our standalone IT infrastructure we see further opportunities for product and sector diversification in this market.

In our EU Hub the renewal books continue to perform well with renewal rates of 82% (H1 2018: 84%). The profitability of the EU Hub has improved reflecting the cost efficiencies generated through the restructuring activities in H2 2018. EBITDA has increased to £0.9 million (H1 2018: £0.3 million) at an EBITDA margin of 14% (H1 2018: 4%). The restructuring has been successful and is in line to deliver the expected annualised savings of £4.0 million to £4.5 million (which includes CPPL savings which are not part of the EU Hub).

Turkey has performed well against the backdrop of challenging economic conditions, increasing revenue by 10% and EBITDA by 91% and we have made good progress in a number of our other markets. We have signed a new Card Protection contract with a second bank in Bangladesh. The device protection segment in Bangladesh has huge potential and we are close to agreeing our first Phone Insurance deal with a leading market player. Following our re-entry in the UK market, we continue to develop our product suite. We have a strong pipeline with partner agreements in place that are expected to generate new business in the second half of the year. Our Southeast Asia expansion continues with a regional hub established in Singapore led by an experienced dynamic regional CEO. With a solid presence already established in Malaysia we continue to assess the best markets in Southeast Asia to launch our product suite.

Financial position

The Group's net asset position is broadly unchanged at £16.3 million (31 December 2018: £16.3 million). Our net funds position has reduced in the period to £15.8 million (31 December 2018: £26.0 million) reflecting the recognition of lease liabilities totalling £6.8 million following the adoption of IFRS 16 along with our investment in technology and technology-led services, such as the Blink parametric platform and digital services in India. Our cash balances are £22.4 million which includes £1.1 million required to be held in the UK for regulatory purposes and therefore the Group's available cash balance is £21.3 million. Whilst this represents a strong available cash position our borrowing facility includes a cash covenant and increasingly cash is being generated in India which is not currently available for repatriation 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 suffer significant taxation costs. The cash located in the UK and generated through the historic back books currently supports Group IT, central support functions and key strategic markets that are presently loss-making. The Group is not currently utilising its £5.0 million borrowing facility.

Outlook

Our success is built on our business partner relationships which we continue to deepen and importantly we are forming new partnerships with major brands in our strategically important markets. These new and existing relationships will develop over time and fuel the continued growth in our business. We are investing in our technology-led capability which will continue to strengthen our partnerships and enable more nimble and cost-effective proposition delivery as well as an exceptional customer experience.

We have continued to grow significantly in India and following the successful launch of LivCare and expanded Card Protection contracts with major banking partners, we expect revenue in 2019 to exceed current market consensus. EBITDA margins in India are typically 5% and other parts of the business that are currently loss-making have progressed slower than expected, therefore although revenue is expected to be higher our EBITDA expectations for 2019 remain unchanged.

Jason Walsh
Chief Executive Officer

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Note	**6 months ended 30 June 2019 £'000 (Unaudited)**	6 months ended 30 June 2018 £'000 (Unaudited)	Year ended 31 December 2018 £'000 (Audited)
Revenue	3	**60,229**	51,264	110,070
Cost of sales		**(40,730)**	(31,020)	(68,993)
Gross profit		**19,499**	20,244	41,077
Administrative expenses		**(18,448)**	(18,984)	(41,031)
Share of loss of joint venture		**(152)**	(66)	(199)
Operating profit/(loss)		**899**	1,194	(153)
Analysed as:				
EBITDA	3	**2,319**	1,779	3,911
Depreciation and amortisation		**(1,420)**	(364)	(866)
Exceptional items		**-**	(153)	(3,137)
MSP charges		**-**	(68)	(61)
Investment revenues		**253**	252	531
Finance costs		**(302)**	(112)	(51)
Profit before taxation		**850**	1,334	327
Taxation	4	**(1,006)**	(902)	(712)
(Loss)/profit for the period		**(156)**	432	(385)
Attributable to:				
Equity holders of the Company		**(113)**	432	(380)
Non-controlling interests		**(43)**	-	(5)
		(156)	432	(385)

(Loss)/earnings per share

	Note	**Pence**	Pence	Pence
Basic (loss)/earnings per share	6	**(0.01)**	0.05	(0.04)
Diluted (loss)/earnings per share	6	**(0.01)**	0.05	(0.04)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 30 June 2019 £'000 (Unaudited)	6 months ended 30 June 2018 £'000 (Unaudited)	Year ended 31 December 2018 £'000 (Audited)
(Loss)/profit for the period	**(156)**	432	(385)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**20**	(173)	(286)
Other comprehensive income/(expense) for the period net of taxation	**20**	(173)	(286)
Total comprehensive (expense)/income for the period	**(136)**	259	(671)
Attributable to:			
Equity holders of the Company	**(93)**	259	(666)
Non-controlling interests	**(43)**	-	(5)
	(136)	259	(671)

CONSOLIDATED BALANCE SHEET

	Note	**30 June 2019 £'000 (Unaudited)**	30 June 2018 £'000 (Unaudited)	31 December 2018 £'000 (Audited)
Non-current assets				
Goodwill	7	**1,492**	880	1,492
Other intangible assets	7	**3,168**	1,507	2,788
Property, plant and equipment	7	**2,236**	1,590	1,717
Right-of-use asset	10	**6,087**	-	-
Investment in joint venture		**882**	438	1,034
Deferred tax asset		**1,376**	1,203	1,225
Net investment lease assets	10	**63**	-	-
Contract assets		**578**	780	479
		15,882	6,398	8,735
Current assets				
Insurance assets		**-**	30	24
Inventories		**142**	68	159
Net investment lease assets	10	**168**	-	-
Contract assets		**4,969**	3,095	4,553
Trade and other receivables		**13,263**	10,016	13,704
Cash and cash equivalents		**22,372**	29,438	25,955
		40,914	42,647	44,395
Total assets		**56,796**	49,045	53,130
Current liabilities				
Insurance liabilities		**(471)**	(639)	(617)
Income tax liabilities		**(779)**	(1,437)	(536)
Trade and other payables		**(19,109)**	(20,364)	(22,906)
Provisions		**(70)**	(369)	(571)
Lease liabilities	10	**(1,390)**	-	-
Contract liabilities		**(11,971)**	(8,370)	(10,934)
		(33,790)	(31,179)	(35,564)
Net current assets		**7,124**	11,468	8,831
Non-current liabilities				
Borrowings		**71**	116	90
Deferred tax liabilities		**(90)**	-	(90)
Provisions		**(310)**	-	(291)
Lease liabilities	10	**(5,440)**	-	-
Contract liabilities		**(926)**	(1,846)	(1,009)
		(6,695)	(1,730)	(1,300)
Total liabilities		**(40,485)**	(32,909)	(36,864)
Net assets		**16,311**	16,136	16,266
Equity				
Share capital	8	**24,040**	23,995	24,021
Share premium account		**45,225**	45,225	45,225
Merger reserve		**(100,399)**	(100,399)	(100,399)
Translation reserve		**498**	591	478
ESOP reserve		**16,249**	15,476	15,884
Retained earnings		**29,882**	31,248	30,323
Equity attributable to equity holders of the Company		**15,495**	16,136	15,532
Non-controlling interests		**816**	-	734
Total equity		**16,311**	16,136	16,266

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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
6 months ended 30 June 2019 (Unaudited)										
At 1 January 2019		**24,021**	**45,225**	**(100,399)**	**478**	**15,884**	**30,323**	**15,532**	**734**	**16,266**
Change of accounting policy – IFRS 16	**10**	**-**	**-**	**-**	**-**	**-**	**(203)**	**(203)**	**-**	**(203)**
Loss for the period		**-**	**-**	**-**	**-**	**-**	**(113)**	**(113)**	**(43)**	**(156)**
Other comprehensive income for the period		**-**	**-**	**-**	**20**	**-**	**-**	**20**	**-**	**20**
Equity-settled share-based payment charge	**9**	**-**	**-**	**-**	**-**	**365**	**-**	**365**	**-**	**365**
Exercise of share options	**8**	**19**	**-**	**-**	**-**	**-**	**-**	**19**	**-**	**19**
Movement in non-controlling interest		**-**	**-**	**-**	**-**	**-**	**(125)**	**(125)**	**125**	**-**
At 30 June 2019		**24,040**	**45,225**	**(100,399)**	**498**	**16,249**	**29,882**	**15,495**	**816**	**16,311**
6 months ended 30 June 2018 (Unaudited)										
At 1 January 2018		23,978	45,225	(100,399)	764	15,114	30,816	15,498	-	15,498
Profit for the period							432	432	-	432
Other comprehensive expense for the period		-	-	-	(173)	-	-	(173)	-	(173)
Equity-settled share-based payment charge	9	-	-	-	-	362	-	362	-	362
Exercise of share options		17	-	-	-	-	-	17	-	17
At 30 June 2018		23,995	45,225	(100,399)	591	15,476	31,248	16,136	-	16,136
Year ended 31 December 2018 (Audited)									-	
At 1 January 2018		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	9	-	-	-	-	770	-	770	-	770
Deferred tax on share-based payment charge		-	-	-	-	-	(113)	(113)	-	(113)
Exercise of share options		43	-	-	-	-	-	43	-	43
Non-controlling interest on acquisition of a subsidiary		-	-	-	-	-	-	-	739	739
At 31 December 2018		24,021	45,225	(100,399)	478	15,884	30,323	15,532	734	16,266

CONSOLIDATED CASH FLOW STATEMENT

	Note	**6 months ended 30 June 2019 £'000 (Unaudited)**	6 months ended 30 June 2018 £'000 (Unaudited)	Year ended 31 December 2018 £'000 (Audited)
Net cash used in operating activities	11	**(1,406)**	(160)	(833)
Investing activities				
Interest received		**248**	252	531
Purchases of property, plant and equipment		**(836)**	(582)	(792)
Purchases of intangible assets		**(844)**	(748)	(1,931)
Acquisition of a subsidiary, net of cash acquired		**-**	(126)	(704)
Investment in joint venture		**-**	(480)	(1,224)
Net cash used in investing activities		**(1,432)**	(1,684)	(4,120)
Financing activities				
Costs of refinancing the bank facility		**-**	(83)	(126)
Capital lease repayments	10	**(837)**	-	-
Lessor capital receipts	10	**78**		
Interest paid		**(61)**	(89)	(51)
Issue of ordinary share capital	8	**19**	17	43
Net cash used in financing activities		**(801)**	(155)	(134)
Net decrease in cash and cash equivalents		**(3,639)**	(1,999)	(5,087)
Effect of foreign exchange rate changes		**56**	(28)	(423)
Cash and cash equivalents at start of period		**25,955**	31,465	31,465
Cash and cash equivalents at end of period		**22,372**	29,438	25,955

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 General information

The condensed consolidated interim financial statements for the six months ended 30 June 2019 do not constitute statutory accounts as defined under Section 434 of the Companies Act 2006. The Annual Report and Financial Statements (the 'Financial Statements') for the year ended 31 December 2018 were approved by the Board on 26 March 2019 and have been delivered to the Registrar of Companies. The Auditor, Deloitte LLP, reported on these financial statements; their report was unqualified, did not contain an emphasis of matter paragraph and did not contain statements under s498 (2) or (3) of the Companies Act 2006.

2 Accounting policies

Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union.

The condensed consolidated interim financial statements should be read in conjunction with the Financial Statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed consolidated interim financial statements were approved for release on 3 September 2019.

New and amended standards and interpretations need to be adopted in the interim financial statements issued after their effective date (or date of early adoption). The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 *Leases*
- IFRIC 23 *Uncertainty over tax treatments*
- IAS 28 (amendments) *Long-term interests in Associates and Joint Ventures*
- Annual improvements to IFRSs *2015 – 2017 cycle*

Following the adoption of IFRS 16, the Group has changed its accounting policies and made certain transition adjustments, which are disclosed in note 10. All other new or amended standards and interpretations applied for the first time in the period commencing 1 January 2019 have not had a material impact on the Group.

The Group has revised income statement and segmental reporting formats to include EBITDA from 1 January 2019. EBITDA is an APM prior to which the Group used an alternative APM, underlying operating profit. The Group is investing in technology, which will be an ongoing focus, and as a result EBITDA provides a better understanding of the underlying performance of our business. The prior period income statement and relevant notes have been represented to reflect the change.

The comparative balance sheet position as at 30 June 2018 has been represented to reflect a change applied subsequent to the approval of the 2018 Half Year Report in our transitionary accounting for IFRS 15 *Revenue from contracts with customers*. As a result, net assets have increased £320,000 compared to original presentation, comprising an increase in current contract assets of £588,000 and a reduction in deferred tax asset of £268,000.

Going concern

After making enquiries, the Directors have satisfied themselves that taking account of reasonably possible changes in trading performance, the Group's forecasts show that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

2 Accounting policies (continued)

Leases

The adoption of IFRS 16 *Leases* with effect from 1 January 2019 has led to amendments in the Group's accounting policy for leases. The revised sections of the policy are below.

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

Lease liabilities

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

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

Right-of-use assets

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

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

Variable lease payments

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

Extension and termination options

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

3 Segmental analysis

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

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

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

Six months ended 30 June 2019 (Unaudited)	**Ongoing Operations £'000**	**Restricted Operations £'000**	**Central Functions £'000**	**Total £'000**
Revenue - external sales	**51,362**	**8,867**	**-**	**60,229**
Segmental EBITDA	**2,057**	**3,197**	**(2,783)**	**2,471**
Share of loss of joint venture				**(152)**
EBITDA				**2,319**
Depreciation and amortisation				**(1,420)**
Operating profit				**899**
Investment revenues				**253**
Finance costs				**(302)**
Profit before taxation				**850**
Taxation				**(1,006)**
Loss for the period				**(156)**

3 Segmental analysis (continued)

Six months ended 30 June 2018 (Unaudited)	Ongoing Operations £'000	Restricted Operations £'000	Central Functions £'000	Total £'000
Revenue - external sales	40,005	11,259	-	51,264
Segmental EBITDA	(421)	5,513	(3,247)	1,845
Share of loss of joint venture				(66)
EBITDA				1,779
Depreciation and amortisation				(364)
Exceptional items				(153)
MSP charges				(68)
Operating profit				1,194
Investment revenues				252
Finance costs				(112)
Profit before taxation				1,334
Taxation				(902)
Profit for the period				432

Year ended 31 December 2018 (Audited)	Ongoing Operations £'000	Restricted Operations £'000	Central Functions £'000	Total £'000
Revenue - external sales	88,033	22,037	-	110,070
Segmental EBITDA	13	10,097	(6,000)	4,110
Share of loss of joint venture				(199)
EBITDA				3,911
Depreciation and amortisation				(866)
Exceptional items				(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)

3 Segmental analysis (continued)

Segmental assets

	30 June 2019 £'000 (Unaudited)	30 June 2018 £'000 (Unaudited)	31 December 2018 £'000 (Audited)
Ongoing Operations	**36,931**	23,305	30,637
Restricted Operations	**14,021**	18,886	17,114
Central Functions	**2,094**	4,333	1,628
Total segment assets	**53,046**	46,524	49,379
Unallocated assets	**3,750**	2,521	3,751
Consolidated total assets	**56,796**	49,045	53,130

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

Capital expenditure

	Other intangible assets			**Property, plant and equipment**		
	6 months ended 30 June 2019 £'000 (Unaudited)	6 months ended 30 June 2018 £'000 (Unaudited)	Year ended 31 December 2018 £'000 (Audited)	**30 June 2019 £'000 (Unaudited)**	30 June 2018 £'000 (Unaudited)	31 December 2018 £'000 (Audited)
Ongoing Operations	**502**	389	1,387	**528**	434	728
Restricted Operations	**32**	-	20	**137**	3	61
Central Functions	**310**	363	878	**171**	151	277
Total assets	**844**	752	2,285	**836**	588	1,066

Right-of-use asset additions in the period of £1,569,000 following the adoption of IFRS 16 from 1 January 2019 are not included in the table above. The right-of-use asset additions are located in our Ongoing Operations segment. Further information relating to IFRS 16 is included in note 10

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:

	6 months ended 30 June 2019 £'000 (Unaudited)	6 months ended 30 June 2018 £'000 (Unaudited)	Year ended 31 December 2018 £'000 (Audited)
At a point in time	**49,070**	43,478	89,116
Over time	**11,159**	7,786	20,954
	60,229	51,264	110,070

3 Segmental analysis (continued)

Revenue from major products

	6 months ended 30 June 2019 £'000 (Unaudited)	6 months ended 30 June 2018 £'000 (Unaudited)	Year ended 31 December 2018 £'000 (Audited)
Retail assistance policies	**56,627**	49,509	105,006
Retail insurance policies	**96**	168	336
Wholesale policies	**1,682**	1,375	4,162
Non-policy revenue	**1,824**	212	566
Consolidated revenue	**60,229**	51,264	110,070

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

The increase in non-policy revenue period-on-period reflects third party revenues earned by Globiva.

Geographical information

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

	External revenues			**Non-current assets**		
	6 months ended 30 June 2019 £'000 (Unaudited)	6 months ended 30 June 2018 £'000 (Unaudited)	Year ended 31 December 2018 £'000 (Audited)	**30 June 2019 £'000 (Unaudited)**	30 June 2018 £'000 (Unaudited)	31 December 2018 £'000 (Audited)
India	**40,894**	28,267	65,326	**6,347**	855	2,115
UK	**7,174**	9,223	18,051	**4,406**	2,483	2,468
Spain	**4,415**	5,452	10,514	**564**	282	281
Other	**7,746**	8,322	16,179	**2,307**	1,137	1,612
Total	**60,229**	51,264	110,070	**13,624**	4,757	6,476

Non-current assets at 30 June 2019 include £6,087,000 right-of-use assets recognised following adoption of IFRS 16 effective from 1 January 2019. Further details on IFRS 16 are included in note 10.

3 **Segmental analysis** (continued)

Information about major customers

Revenue from customers of one business partner in our Ongoing Operations segment represented approximately £27,708,000 (H1 2018: £20,577,000; year ended 31 December 2018: £48,158,000) of the Group's total revenue.

4 Taxation

The effective tax rate at the half year is 118.4% (H1 2018: 67.6%; year ended 31 December 2018: 217.7%). The tax charge of £1,006,000 (H1 2018: £902,000; year ended 31 December 2018: £712,000) reflects charges on taxable profits arising in India and our EU Hub. The corporate income tax in these overseas jurisdictions is higher than the UK corporate income tax rate of 19%. Profits from UK entities are expected to be covered by group relief from losses arising in other UK entities, brought forward tax losses and double taxation relief.

The Group's effective tax rate is significantly higher than the UK corporate income tax rate due to losses in our developing markets which do 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 that tax losses can be utilised in the short-term. The 2019 full year rate may vary from the H1 2019 rate as the territory mix of future 2019 profits or losses may differ, however it is expected to continue to be significantly higher than the UK rate in the future.

5 Dividends

The Directors have not proposed an interim dividend for 2019. Neither an interim or final dividend was proposed in 2018.

6 (Loss)/earnings per share

Basic and diluted (loss)/earnings per share have been calculated in accordance with IAS 33 *Earnings per share*. Underlying (loss)/earnings per share, which exclude exceptional items and MSP charges, 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 six months ended 30 June 2019 and year ended 31 December 2018.

Six months ended 30 June 2019 (Unaudited)	**Total**
Losses	**£'000**
Loss for the purposes of basic and diluted earnings per share and underlying earnings per share	**(113)**
Number of shares	**Number (thousands)**
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**862,015**
Loss per share	**Total Pence**
Basic and diluted loss per share	**(0.01)**
Basic and diluted underlying loss per share	**(0.01)**

6 (Loss)/earnings per share (continued)

Six months ended 30 June 2018 (Unaudited)	Total
Earnings	£'000
Earnings for the purposes of basic and diluted earnings per share	432
Exceptional items (net of tax)	153
MSP charges (net of tax)	39
Earnings for the purposes of underlying basic and diluted earnings per share	624

Number of shares	Number (thousands)
Weighted average number of ordinary shares for the purposes of basic earnings per share	856,902
Effect of dilutive potential ordinary shares: share options	19,616
Weighted average number of ordinary shares for the purposes of diluted earnings per share	876,518

Earnings per share	Total Pence
Basic and diluted earnings per share:	
Basic	0.05
Diluted	0.05
Basic and diluted underlying earnings per share:	
Basic	0.07
Diluted	0.07

Year ended 31 December 2018 (Audited)	Total
(Loss)/earnings	£'000
Loss for the purposes of basic and diluted loss per share	(380)
Exceptional items (net of tax)	2,289
MSP charges (net of tax)	55
Earnings for the purposes of underlying basic and diluted earnings per share	1,964

Number of shares	Number (thousands)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share and basic underlying earnings per share	858,474
Effect of dilutive potential ordinary shares: share options	28,308
Weighted average number of ordinary shares for the purposes of diluted underlying earnings per share	886,782

6 (Loss)/earnings per share (continued)

(Loss)/earnings per share	Total
	Pence
Basic and diluted loss per share	(0.04)
Basic and diluted underlying earnings per share:	
Basic	0.23
Diluted	0.22

7 Tangible and intangible assets

	Goodwill	Other intangible assets	Property, plant and equipment	Total
	£'000	£'000	£'000	£'000
Six months ended 30 June 2019 (Unaudited)				
Carrying amount at 1 January 2019	**1,492**	**2,788**	**1,717**	**5,997**
Additions	**-**	**844**	**836**	**1,680**
Disposals	**-**	**(7)**	**(32)**	**(39)**
Amortisation/depreciation	**-**	**(471)**	**(293)**	**(764)**
Exchange adjustments	**-**	**14**	**8**	**22**
Carrying amount at 30 June 2019	**1,492**	**3,168**	**2,236**	**6,896**
Six months ended 30 June 2018 (Unaudited)				
Carrying amount at 1 January 2018	776	882	1,281	2,939
Additions	104	752	588	1,444
Disposals	-	-	(7)	(7)
Amortisation/depreciation	-	(128)	(236)	(364)
Exchange adjustments	-	1	(36)	(35)
Carrying amount at 30 June 2018	880	1,507	1,590	3,977
Year ended 31 December 2018 (Audited)				
Carrying amount at 1 January 2018	776	882	1,281	2,939
Additions	716	1,931	792	3,439
Acquisition of subsidiaries	-	354	274	628
Disposals	-	(11)	(75)	(86)
Amortisation/depreciation	-	(412)	(454)	(866)
Impairment	-	-	(71)	(71)
Exchange adjustments	-	44	(30)	14
Carrying amount at 31 December 2018	1,492	2,788	1,717	5,997

8 Share capital

Share capital at 30 June 2019 is £24,040,000 (H1 2018: £23,995,000; 31 December 2018: £24,021,000). To satisfy share option exercises in the six month period to 30 June 2019 the Company has issued 1,894,000 ordinary shares for a total consideration of £19,000.

9 Share-based payment

Equity-settled share-based payments

Share-based payment charges for the six month period to 30 June 2019 comprise Long Term Incentive Plan 2016 (2016 LTIP) charges of £365,000 (H1 2018: £294,000; 31 December 2018: £680,000). There have been no MSP charges in the period (H1 2018: £68,000; 31 December 2018: £90,000). These costs are disclosed within administrative expenses, although the MSP share-based payment charge formed part of the MSP charges not included in EBITDA.

There have been 18,092,000 options granted in the six month period to 30 June 2019 as part of the 2016 LTIP (30 June 2018 and 31 December 2018: 16,071,000 options granted). There have been no MSP options granted in either the current period or the comparative periods.

	Number of share options (thousands)	Weighted average exercise price (£)
Six months ended 30 June 2019 (Unaudited)		
2016 LTIP		
Outstanding at 1 January 2019	**37,981**	**-**
Granted during the period	**18,092**	**-**
Lapsed/forfeited during the period	**(11,886)**	**-**
Outstanding at 30 June 2019	**44,187**	**-**
MSP		
Outstanding at 1 January 2019	**6,343**	**0.01**
Exercised during the period	**(1,894)**	**0.01**
Outstanding at 30 June 2019	**4,449**	**0.01**
Exercisable at 30 June 2019	**4,449**	**0.01**
Six months ended 30 June 2018 (Unaudited)		
2016 LTIP		
Outstanding at 1 January 2018	22,551	-
Granted during the period	16,071	-
Forfeited during the period	(641)	-
Outstanding at 30 June 2018	37,981	-
MSP		
Outstanding at 1 January 2018	10,669	0.01
Forfeited during the period	(53)	0.01
Exercised during the period	(1,703)	0.01
Outstanding at 30 June 2018	8,913	0.01
Exercisable at 30 June 2018	5,944	0.01

9 Share-based payment (continued)

	Number of share options (thousands)	Weighted average exercise price (£)
Year ended 31 December 2018 (Audited)		
2016 LTIP		
Outstanding at 1 January 2018	22,551	-
Granted during the year	16,071	-
Forfeited during the year	(641)	-
Outstanding at 31 December 2018	37,981	-
MSP		
Outstanding at 1 January 2018	10,669	0.01
Forfeited during the year	(52)	0.01
Exercised during the year	(4,274)	0.01
Outstanding at 31 December 2018	6,343	0.01
Exercisable at 31 December 2018	6,343	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 revenue and profit-based targets and non-financial event measures over the vesting period.

The options outstanding at 30 June 2019 had a weighted average remaining contractual life of two years (30 June 2018: two years; 31 December 2018: two years) in the 2016 LTIP and no years (30 June 2018: no years; 31 December 2018: no years) in the MSP.

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

	LTIP 2016 April 2019
Weighted average share price	£0.05
Weighted average exercise price	-
Expected volatility	n/a
Expected life	3 years
Risk-free rate	n/a
Dividend yield	0%

There have been 18,092,000 share options granted in the current period. The aggregate estimated fair value of the options granted in the current period under the 2016 LTIP was £950,000.

Cash-settled share-based payments

On 29 April 2019, the Group granted certain employees with notional share options that require the Group to pay the intrinsic value of the notional share to the employee at the date of exercise. The fair value of the notional share options has been determined by the Black Scholes model using the assumptions noted in the table above. The Group has recorded a total expense in relation to this award in the six months to 30 June 2019 of £24,000 (H1 2018: £nil; year ended 31 December 2018: £30,000). The Group has recorded liabilities of £24,000 (30 June 2018: £nil and 31 December 2018: £30,000) in relation to these notional awards.

10 Change in accounting policy

The Group adopted IFRS 16 *Leases* effective from 1 January 2019, which has led to updates in the Group's accounting policy for leases. In accordance with the transition provisions for IFRS 16, the Group has adopted the new rules retrospectively and has opted not to restate comparative reporting periods. As a result, the reclassification and adjustments arising from the new leasing rules are recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.

On adoption of IFRS 16, the Group has recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. The lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 7.1%.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics, including geographical location;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- relying on previous assessment of whether a lease is onerous.

The Group has also elected not to apply IFRS 16 to contracts that were not identified as containing a lease under IAS 17 and IFRIC 4 *Determining whether an arrangement contains a lease*.

Measurement of lease liabilities

	£'000
Operating lease commitments as at 1 January 2019	5,532
Operating lease commitments as at 1 January 2019 restated net of VAT	5,291
Discounted using the lessee's incremental borrowing rate of 7.1%	(656)
Add: finance lease liabilities recognised as at 1 January 2019	1,347
(Less): short-term leases recognised as expense on a straight line basis	(146)
(Less): contracts re-assessed as service agreements	(102)
Add: adjustments as a result of reassessment of extension and termination options	83
Lease liability recognised at 1 January 2019	**5,817**
Comprising:	
Non-current lease liabilities	4,530
Current lease liabilities	1,287
	5,817

10 Change in accounting policy (continued)

The movement in the lease liability in the period is as follows:

Lease liability	**30 June 2019** **£'000** **(Unaudited)**
At 1 January 2019	**5,817**
Additions	**1,569**
Interest	**220**
Lease payments	**(837)**
Exchange adjustments	**61**
At 30 June 2019	**6,830**
Comprising:	
Non-current lease liabilities	**5,440**
Current lease liabilities	**1,390**
	6,830

Measurement of right-of-use assets

The associated right-of-use assets for all leases were measured on a retrospective basis as if the new rules had always been applied. Any identified restoration costs were added to the initial costs of the right-of-use assets. Any right-of-use assets associated with leases previously deemed to be onerous were impaired where the previous assessment of the nature of the onerous lease remained appropriate. Right-of-use assets are depreciated using a straight-line approach over their deemed useful economic life, which is based on interpretation of lease contract length in line with the requirements of the standard.

	30 June 2019 **£'000** **(Unaudited)**	1 January 2019 £'000 (Unaudited)
Properties	**5,854**	4,873
Motor vehicles	**203**	213
Equipment	**30**	37
Total right-of-use assets	**6,087**	**5,123**

The movement in the right-of-use asset in the period is as follows:

Right-of-use asset	**30 June 2019** **£'000** **(Unaudited)**
At 1 January 2019	**5,123**
Additions	**1,569**
Depreciation	**(656)**
Exchange adjustments	**51**
At 30 June 2019	**6,087**

10 Change in accounting policy (continued)

Lessor accounting

The Group has certain finance lease arrangements where it acts as a lessor and has made adjustments to accounting for the associated sublet assets. The subleases were previously accounted for as operating leases under IAS 17. On adoption of IFRS 16, the Group recognised a net investment asset through reclassification of the associated right-of-use assets.

The net investment asset is measured at the present value of the remaining future minimum sub lease payments to be received, discounted using the relevant incremental borrowing rate as at 1 January 2019. The right-of-use asset reclassified is measured at the proportion of the existing right-of-use assets that are sublet to the lessees in the arrangement. Any resulting differences are recognised as a gain or loss in the consolidated income statement.

Reconciliation of sublease future minimum payments to net investment assets

	1 January 2019 £'000 (Unaudited)
Future minimum sublease payments disclosed as at 1 January 2019	278
(Less): adjustments as a result of reassessment of extension and termination options	(3)
Add: residual value of sub-leased asset returned on conclusion of sublease	41
Discounted using the incremental borrowing rate	(12)
Net investment asset recognised at 1 January 2019	**304**
Comprising:	
Non-current net investment assets	148
Current net investment assets	156
	304

Net investment lease assets	**30 June 2019 £'000 (Unaudited)**
At 1 January 2019	**304**
Payments received	**(78)**
Interest	**5**
At 30 June 2019	**231**
Comprising:	
Non-current net investment assets	**63**
Current net investment assets	**168**
	231

In addition to lease liabilities, right-of-use assets and net investment lease assets, the transition also reduced provisions. Overall, the change in accounting policy impacted the balance sheet on 1 January 2019 by increasing assets by £5,427,000 and increasing liabilities by £5,630,000. The net impact on retained earnings on 1 January 2019 was £203,000 reduction.

At 30 June 2019 assets were affected by an increase of £6,318,000 and liabilities by an increase of £6,995,000.

11 Reconciliation of operating cash flows

	6 months ended 30 June 2019 £'000 (Unaudited)	6 months ended 30 June 2018 £'000 (Unaudited)	Year ended 31 December 2018 £'000 (Audited)
(Loss)/profit for the period	**(156)**	432	(385)
Adjustments for:			
Depreciation and amortisation	**1,420**	364	866
Share-based payment expense	**389**	362	800
Impairment loss on intangible assets	**-**	-	71
Loss on disposal of intangible assets	**6**	-	11
Loss on disposal of property, plant and equipment	**31**	6	75
Share of loss of joint venture	**152**	66	199
Investment revenues	**(253)**	(252)	(531)
Finance costs	**302**	112	51
Income tax charge	**1,006**	902	712
Operating cash flows before movement in working capital	**2,897**	1,992	1,869
Decrease/(increase) in inventories	**17**	9	(82)
Increase in contract assets	**(443)**	(600)	(1,756)
Decrease/(increase) in receivables	**321**	(49)	(2,691)
Decrease in insurance assets	**24**	-	6
(Decrease)/increase in payables	**(3,700)**	(2,198)	1
Increase in contract liabilities	**846**	780	2,407
Decrease in insurance liabilities	**(146)**	(67)	(89)
(Decrease)/increase in provisions	**(482)**	(121)	372
Cash (used in)/from operations	**(666)**	(254)	37
Income taxes (paid)/received	**(740)**	94	(870)
Net cash used in operating activities	**(1,406)**	(160)	(833)

12 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. In the six months to 30 June 2019, the Group has paid £25,000 plus VAT (six months ended 30 June 2018: £25,000; year ended 31 December 2018: £90,000) to ORCL, which was payable under 30 days credit terms.

OR Talent Inc (ORTI) is an organisation which provides advice to the Group in senior leadership recruitment and integration. ORTI is a wholly owned subsidiary of OR Talent Limited (ORTL) in which Mark Hamlin holds 75% of the voting rights. In the six months to 30 June 2019, the Group has paid £25,000 (six months ended 30 June 2018; £nil; year ended 31 December 2018: £nil) to ORTI, which was payable under 30 days credit terms.

Mark Hamlin is the Chairman of Globiva. The fees for this role are paid to his consultancy company, ORL. The fee paid to ORL by the Group in the six months ended 30 June 2019 was £38,000 (six months ended 30 June 2018: £nil; year ended 31 December 2018: £28,000) 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:

	6 months ended 30 June 2019 £'000 (Unaudited)	6 months ended 30 June 2018 £'000 (Unaudited)	Year ended 31 December 2018 £'000 (Audited)
Short-term employee benefits	**1,107**	1,070	2,248
Post-employment benefits	**43**	42	82
Share-based payments	**317**	217	512
	1,467	1,329	2,842