24 SEPTEMBER 2020

CPPGROUP PLC

HALF-YEAR REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2020

- **Group records good financial performance and retains solid cash position**
- **Effective response to coronavirus pandemic helps to achieve overall increases in revenues, profits and customer numbers**
- **Company focused on evolving products and services to reflect changing needs of partner businesses and consumers**

CPPGroup Plc (CPP or the Group) today announces a healthy financial performance in the first half of 2020.

A quick and effective response from the outset of the coronavirus outbreak has helped the multinational product and services company continue supporting business partners as well as maintaining a robust financial position.

Key financial indicators:

- Group revenue increased by 3% to £61.8 million (H1 2019: £60.2 million) with a strong Q1 being tempered by a COVID-19 constrained Q2, particularly in India
- Solid cash balance of £18.2 million (H1 2019: £22.4 million; 31 December 2019: £22.0 million)
- Adjusted EBITDA increased by 10% to £4.0 million (H1 2019: £3.6 million)
- EBITDA increased by 4% to £2.4 million (H1 2019: £2.3 million)
- Profit before tax increased by 19% to £1.0 million (H1 2019: £0.9 million)
- Excluding currency movements across our international markets:
    - Revenue increased by 5%
    - Adjusted EBITDA increased by 15%
    - EBITDA increased by 11%
    - Profit before tax increased by 29%
- Customer numbers increased to 10.9 million (H1 2019: 9.0 million; 31 December 2019: 10.6 million)

Operational highlights:

- Increased the partner base by retaining existing partnerships as well as securing new deals with major brands including Vakifbank in Turkey and RAC and Gallagher in the UK
- Maintained service to all customers throughout lockdown with transfer of customer service colleagues to home working
- Reaffirmed our financial contingency measures with renewal of £5 million borrowing facility for a further 3 year term to August 2023
- Progressed product innovation in light of changing customer expectations, such as an increased focus on the healthcare sector and digital solutions
- Opened up a global conversation with colleagues to understand the wider impact of coronavirus, giving us a platform to define new adaptable and productive working practices
- Further strengthened governance and assurance frameworks, ensuring compliance with business and regulatory requirements are maintained

Financial and non-financial highlights

£ millions	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)	Change	Constant currency change
Financial highlights[1]:				
Group				
Revenue	61.8	60.2	3%	5%
Adjusted EBITDA[2,3]	4.0	3.6	10%	15%
Investment in business growth projects[4]	(1.6)	(1.3)	(21)%	(20)%
EBITDA	2.4	2.3	4%	11%
Operating profit	1.0	0.9	15%	23%
Profit before tax	1.0	0.9	19%	29%
Basic loss per share (£)[5]	(0.09)	(0.01)	(594)%	n/a
Net funds[6]	11.5	15.8	(27)%	n/a
Segmental revenue				
Ongoing Operations7	56.6	52.9	7%	10%
Restricted Operations[7]	5.2	7.3	(29)%	(29)%
Non-financial highlights:				
Customer numbers (millions)	10.9	9.0	21%	n/a

1. Financial highlights are presented in £ millions to one decimal place throughout this report. The detailed numbers can be referred to in the condensed consolidated interim financial statements.
2. EBITDA represents earnings before interest, taxation, depreciation, amortisation and exceptional items.
3. Adjusted EBITDA excludes costs associated with investments in business growth projects.
4. Investment in business growth projects of £1.6 million (H1 2019: £1.3 million) comprises start-up costs relating to the UK £0.5 million (H1 2019: £0.4 million), Blink £0.7 million (H1 2019: £0.5 million), Bangladesh £0.1 million (H1 2019: £0.1 million), Southeast Asia £0.2 million (H1 2019: £0.1 million) and our share of losses in KYND £0.1 million (H1 2019: £0.2 million).
5. H1 2019 basic loss per share has been restated to reflect the impact of the share consolidation completed on 29 May 2020. Further details provided in note 2 of the condensed consolidated interim financial statements.
6. Net funds comprise cash and cash equivalents of £18.2 million (H1 2019: £22.4 million), a borrowing asset of £nil (H1 2019: £nil) and net investment lease assets of £0.1 million (H1 2019: £0.2 million) less lease liabilities of £6.8 million (H1 2019; £6.8 million).
7. H1 2019 has been restated for the transfer of an Italian renewal book from Restricted Operations to Ongoing Operations. Refer to note 2 of the condensed consolidated interim financial statements.

Statement from CPP Group Chief Executive, Jason Walsh:

“I am very pleased with our performance so far in 2020. Our response to COVID-19 has underlined the resilience of our people, our quality relationships with partners and ultimately our strong financial position.

“In-keeping with our efforts to improve efficiency over recent years, we have reduced costs while delivering excellent services for customers, winning new business and building a healthy sales pipeline for the future.

“Our strategic ambition, to create tangible value for partners through self-sustaining operations around the world, remains undiminished but the way we achieve it will naturally evolve as a result of COVID-19. The sectors we target for growth and the products and services we offer will change in emphasis – they will reflect the new needs of the businesses with which we partner and their customers.

“Our ability to adapt and remain flexible, coupled with the continued close attention we give to the impact of coronavirus, makes me confident we are well placed to maintain our robust financial performance over the long term.”

About CPP Group:

CPP Group makes millions of lives easier and better protected. We partner with large scale companies across the globe to understand their customers' needs and meet them through a range of popular ancillary products and services which add value to their core business. Specialising in the financial services and insurance sectors, we achieve long-term, sustainable growth through innovation, specialist digital capability and a culture that brings out the best in our people. We are listed on AIM, operated by the London Stock Exchange. You can find out more about us at our website.

For further information:

CPPGroup Plc

John Brenan, Head of Communications

+44 (0)7764 378589

Nominated adviser and broker

Investec Bank plc

Sara Hale, Carlton Nelson

+44 (0)207 597 5970

REGISTERED OFFICE
CPPGroup Plc
6 East Parade
Leeds
LS1 2AD

Registered number: 07151159

Chief Executive's Statement

Our financial and operational performance in the first half of 2020 has been strong and reflects the ability of our colleagues, management and Board to respond successfully to the wide-ranging challenges posed by the coronavirus pandemic. The pandemic and resulting global economic slowdown has inevitably stalled some of the excellent progress we have been making in many of our markets. However, we remain confident in our strategic growth plan with positive indications already emerging post-lockdown.

<u>Financial performance</u>

Six months ended 30 June	**2020 £'m**	2019 £'m	Change	Constant currency change
Revenue	**61.8**	60.2	3%	5%
EBITDA	**2.4**	2.3	4%	11%
Operating Profit	**1.0**	0.9	15%	23%
Profit Before Tax	**1.0**	0.9	19%	29%
Cash	**18.2**	22.4	(18)%	n/a

Note – all percentage change figures quoted in this report are 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.

Group revenue of £61.8 million (H1 2019: £60.2 million) has grown by 5% following a strong first quarter, particularly in India, and careful management in light of the COVID-19 pandemic and respective government lockdown measures which restricted new sales activity in the second quarter across all the markets in which we operate. Revenue growth of 5% although very positive in the current circumstances is lower than the growth historically achieved. The renewal books across all our markets have proved very strong and reliable with renewal rates remaining stable throughout the lockdown periods. The renewal performance continues to demonstrate the value our existing customers place in the products and services that we provide. Our customer numbers continue to increase and have reached 10.9 million (H1 2019: 9.0 million; 31 December 2019: 10.6 million) although the rate of increase has reduced as a result of the constrained Q2 2020 new business activities. New sales activity in Q3 has already markedly improved from the reduced levels experienced during the height of the pandemic in Q2.

We are pleased that in the face of ongoing economic uncertainty and difficult trading conditions that EBITDA has improved by 11% to £2.4 million (H1 2019: £2.3 million). The improvement reflects growth in India, an increasingly streamlined operation in our EU Hub as well as a carefully managed and reducing central cost base offset by the ongoing decline in our UK and European renewal books. Our adjusted EBITDA, which excludes the losses associated with business growth projects, has increased by 15% to £4.0 million (H1 2019: £3.6 million).

The Group's gross profit margin has remained broadly in line with 2019 at 28% (H1 2019: 32%; 12 months ended 31 December 2019: 29%). The cost of acquiring new policies, particularly in India, is comparatively higher than those costs associated with renewing customers. As a result, we expect the gross profit margin to reduce as new sales activity lifts in the second half of the year and the current position is partly a result of the reduced sales activity in Q2 2020. The strength of our new sales activity in developing markets combined with a reduction in our UK and EU Hub renewal books is expected to lead to gross profit margins settling at a lower level in the medium-term.

Tax

The Group's tax charge is £1.8 million (H1 2019: £1.0 million; 12 months ended 31 December 2019: £2.1 million) which results in an effective tax rate of 173% (H1 2019: 118%; 12 months ended 31 December 2019: 183%). Our effective tax rate continues to be significantly higher than the standard UK corporation tax rate of 19%. The high rate reflects that losses in our developing markets currently reduce the overall Group profit before tax to a level that is lower than the tax we pay in our profitable markets, most notably India and the EU Hub. We do not recognise deferred tax assets against our developing market losses due to forecasts indicating they will not be utilised in the short-term. By their very nature our developing markets are investing for growth and profit expectations in the short-term result in not recognising deferred tax assets in these areas.

The Group's effective tax rate is expected to progressively reduce in future periods, however it will remain higher than the UK statutory tax rate as we continue to make profits in territories with higher than UK tax rates, provide for withholding taxes on overseas distributions and invest in developing markets which will not indicate sufficient short-term certainty of profitability to recognise deferred tax assets.

Segmental performance

Revenue	**H1 2020 £'m**	H1 2019 (Restated)[1] £'m	Change	Constant currency change
Ongoing Operations:				
India	**46.0**	40.9	13%	16%
EU Hub	**6.9**	8.3	(17)%	(18)%
Turkey	**1.8**	2.1	(13)%	(2)%
Rest of World[2]	**1.9**	1.6	18%	23%
Total Ongoing Operations	**56.6**	52.9	7%	10%
Restricted Operations	**5.2**	7.3	(29)%	(29)%
Group revenue	**61.8**	60.2	3%	5%

1. Restated for the transfer of an Italian renewal book from Restricted Operations to the EU Hub in Ongoing Operations. See note 2 in the condensed consolidated interim financial statements.
2. Rest of World comprises China, Malaysia, Mexico, UK, Blink, Bangladesh and Southeast Asia.

EBITDA	H1 2020 £'m	H1 2019 (Restated)[1] £'m	Change	Constant currency change
Ongoing Operations:				
India	**2.9**	2.2	35%	40%
EU Hub	**2.0**	1.4	43%	42%
Turkey	**0.4**	0.5	(18)%	(3)%
Rest of World[2]	**(1.9)**	(1.5)	(24)%	(24)%
Total Ongoing Operations	**3.4**	2.6	36%	44%
Restricted Operations	**1.4**	2.7	(47)%	(47)%
Central Functions	**(2.3)**	(2.8)	16%	16%
Segmental EBITDA	**2.5**	2.5	3%	9%
Share of loss of joint venture	**(0.1)**	(0.2)	20%	20%
Group EBITDA	**2.4**	2.3	4%	11%

1. Restated for the transfer of an Italian renewal book from Restricted Operations to the EU Hub in Ongoing Operations. See note 2 in the condensed consolidated interim financial statements.
2. Rest of World comprises China, Malaysia, Mexico, UK, Blink, Bangladesh and Southeast Asia.

Ongoing Operations

Revenue has increased 10% to £56.6 million (H1 2019 restated: £52.9 million) largely due to growth in India through the expansion of LivPlus, a lifestyle insurance and wellness product which launched in May 2019, and continued growth in Globiva following its rapid expansion throughout 2019 from a start-up position. This growth has been partly offset by continued revenue decline in the EU Hub where new sales activity is not yet exceeding the reduction in the mature renewal books.

EBITDA has increased 44% to £3.4 million (H1 2019 restated: £2.6 million) resulting from the growth in India and a significantly lower cost base in our EU Hub as the full benefit of restructuring activities in the prior period are realised.

Restricted Operations

As expected, revenue has decreased by 29% to £5.2 million (H1 2019 restated: £7.3 million) reflecting the natural decline in the UK legacy renewal books. In line with the operational plan, the rate of decline in these books has increased marginally in 2020 following proactive action taken in the renewal process for certain customers and contractual changes resulting in increased revenue deferral. The declining UK renewal book has led to a reduction in EBITDA to £1.4 million (H1 2019 restated: £2.7 million).

Central Functions

The central cost base has reduced 16% to £2.3 million (H1 2019: £2.8 million) as we continue to benefit from contract reviews, streamlining of our UK-based IT function and cost control measures implemented in immediate response to the pandemic.

Adjusted EBITDA

	H1 2020 £'m	**Investment in business growth projects[2] £'m**	**H1 2020 adjusted EBITDA £'m**	**H1 2020 adjusted margin[3] %**	H1 2019 adjusted EBITDA (Restated)[1] £'m	H1 2019 adjusted margin (Restated)[1] %	Change	Constant currency change
Ongoing Operations	**3.4**	**1.5**	**4.9**	**9%**	3.7	7%	33%	38%
Restricted Operations	**1.4**	**-**	**1.4**	**28%**	2.7	37%	(47)%	(47)%
Central Functions	**(2.3)**	**-**	**(2.3)**	**(100)%**	(2.8)	(100)%	16%	16%
Segmental EBITDA	**2.5**	**1.5**	**4.0**	**6%**	3.6	6%	10%	15%
Share of loss of joint venture	**(0.1)**	**0.1**	**-**	**n/a**	-	n/a	n/a	n/a
Group EBITDA	**2.4**	**1.6**	**4.0**	**6%**	3.6	6%	10%	15%

1. Restated for the transfer of an Italian renewal book from Restricted Operations to the EU Hub in Ongoing Operations. See note 2 in the condensed consolidated interim financial statements.
2. The business growth projects in Ongoing Operations are UK £0.5 million (H1 2019: £0.4 million), Blink £0.7 million (H1 2019: £0.5 million), Bangladesh £0.1 million (H1 2019: £0.1 million) and Southeast Asia £0.2 million (H1 2019: £0.1 million). These projects are disclosed within Rest of World.
3. Adjusted margin is defined as adjusted EBITDA divided by revenue.

The Group's adjusted EBITDA has increased to £4.0 million (H1 2019: £3.6 million) following the progress being made in the more mature markets in our Ongoing Operations. Adjusted EBITDA excludes investments in business growth projects which represent start-up losses in markets that will contribute to growth in the future. The Group's adjusted EBITDA margin has increased by 0.5 percentage points to 6.5% (H1 2019: 6.0%).

Operational review

The Group has maintained its full range of ancillary products and services that enhance partners' core businesses and their customers' lives, despite the obvious operational challenges posed by COVID-19.

India remains the biggest revenue generator within the Group. Sales across all products delivered good growth in Q1. However, the severe lockdown conditions introduced by the Indian government in response to the pandemic significantly reduced Q2 new sales activity, particularly where the sales process is conducted in stores. At the height of the lockdown in April new sales fell to less than 10% of normal levels. We are already seeing positive indications of partner and consumer confidence returning in Q3 with sales levels increasing, especially in relation to Mobile which is already back to pre-pandemic levels. In addition, H2 2020 will see us add to our product set with the launch of Credit Protekt, a new repayment safety net giving customers greater peace of mind during uncertain times.

We were very proud to win the Best Risk Management Framework and Systems - Emerging Companies category at the prestigious India Risk Management Awards. This is acknowledgment of the substantial investment into building robust risk management we have made.

The performance of Globiva, the Indian business process management company in which we own a majority stake, dipped significantly during the lockdown in India. But we have already seen an upward trend in activity levels with billable seats currently at 1,200 compared to a low of 975 during the local lockdown. Globiva was operating at 2,300 billable seats at its peak in Q1 2020 prior to the pandemic. In August 2020, the Globiva founders exercised their option to repurchase 10% of the company's share capital, reducing CPP's controlling interest to 51%. This investment by the founders serves as an important validation of the positive long-term prospects for the business and the value it will provide to the Group.

Our activity in the Turkish market has also withstood the impact of the coronavirus outbreak a clear demonstration of the value of the multi-partner, multi-product model developed in this market. Product renewal rates have been stable and we have worked jointly with existing business partners to explore new product and service offerings which have digital capability at their core. This is in addition to establishing new relationships to further build our customer and revenue base over the coming months and years.

We have seen significant growth in our cyber security product in Turkey in particular, with Axa Sigorta and Ray Sigorta.

We have made considerable strides in re-establishing our presence in the UK. Although we are a multinational operation, being successful in our home market is an important demonstration of our ability and ambition to grow. As well as continuing to embed our connections with the insurance broker market, we have secured a number of high profile deals with household names, such as the RAC and Gallagher, which reflects the trust our business has built.

Blink Parametric continues to lead our insurtech offering. It sits at the cutting edge of parametric technology which offers consumers and partners access to quicker and simpler payouts. Although coronavirus is currently heavily impacting the travel market, in which Blink's existing service is focused, greater activity in the sector will return with Blink at the forefront of parametric solutions. We are confident that parametric innovation will be an important component of the future insurance industry as customers increasingly demand digital simplicity. The current slowdown in travel has enabled Blink to accelerate its parametric development into other sectors such as energy and climate. This demonstrates the value in Blink's nimble proprietary parametric platform.

In August 2020, Blink was confirmed as a participant in the fifth cohort of the renowned Lloyds Lab innovation accelerator programme following a competitive selection process involving over 140 applicants from around the world. This is a terrific endorsement of Blink's capabilities and will see it work with other insurtech leaders to use data and technology in identifying and building better ways to protect consumers. The scheme will help Blink expand its offering on a commercial insurance basis and push into sectors beyond travel where it has already demonstrated the potential value of its platform.

Colleagues in China have built and launched F-Lite, a new travel disruption parametric product. Their achievements have been recognised externally: F-Lite won the best technology innovation prize at the Asian Digital Insurance Forum and we have also achieved ISO 27001 certification relating to our information security management. This further reinforces our reputation in China as a business that can be relied upon to protect customers.

Regrettably, we closed our small Southeast Asia office in May. This step reflected the additional challenges COVID-19 would inevitably create for an operation in the early stages of creating regional relationships, along with the need to carefully balance investment costs across the Group in these unprecedented times. Although disappointing, once the full extent of the coronavirus outbreak is understood, our ambition to pursue new growth opportunities internationally will remain unchanged – along with our willingness to take difficult but necessary decisions to protect our long-term financial strength.

This approach allows us to uphold our commitment to business partners and continually look for different ways of improving how we create value through our expertise, innovation and excellent customer service. This involves building our progressive and positive culture where we allow colleagues to achieve everything they can. The strength of our culture has shone through in the past few months enabling our colleagues to quickly adapt to the rapidly changing COVID-19 environment which has ensured constantly good customer outcomes. In addition, our flexibility in quickly establishing working from home for our call centre colleagues is already leading to higher engagement, lower attrition and improved sales conversion in markets such as Turkey. We continue to support our workforce throughout this challenging period and have carried out an extensive company-wide conversation to understand how they have been impacted and their hopes for the way we work in future. This gives us a strong platform to be an organisation which finds new ways of balancing work-life interests of colleagues and the needs of partners.

We will monitor the scale of further growth closely and protect as much as possible against the challenges posed by the external environment. This includes all parts of the business seeking new routes to creating value and address consumers' changing needs, especially their increasing desire to operate digitally. During the latter part of the half-year, product development has become more of a priority as we seek to adjust to an external landscape that looks radically different to the one we expected at the beginning of 2020. This includes our Indian business where work is underway to expand the product suite to offer increased protection for consumers with monthly repayment commitments. We also expect further developments in the increasingly important healthcare and cyber security sectors.

Financial position

The net funds position at 30 June 2020 is £11.5 million (31 December 2019: £14.9 million), which includes a cash balance of £18.2 million (31 December 2019: £22.0 million). The Group's cash cycle is weighted to the second half of the year which combined with the slowdown in sales activity in Q2 and ongoing capital expenditure has led to a reduction in cash balances of £3.8 million in the period. A material amount of cash is generated and held in India which now has sufficient profits available to enable repatriation to the UK which has already been undertaken in H2 2020. The Group's policy is to repatriate surplus overseas funds to the UK.

At the end of August, the Group renewed its £5 million revolving credit facility (RCF) for a further three year term. This provides a strong endorsement of our financial stability. Further detail is provided in note 13. The RCF is not currently being utilised.

In these times of unprecedented global uncertainty our available cash balances and renewed bank facility are a significant strength which ideally place us to weather any further headwinds from COVID-19 and capitalise on opportunities with existing or new partners as they arise.

Outlook

We are very encouraged by the improving sales levels we are already observing across the Group, most notably in India and Turkey, following the significant restrictions the coronavirus pandemic placed on new sales activity in the second quarter of the year. However, a return to pre-pandemic customer acquisition levels across all our product categories is expected to take time.

The relationships we have with our business partners remain strong. We are managing the risks generated by COVID-19 through maintaining open communication with our partners and evolving our products and services to reflect the changing consumer landscape. It remains too soon to understand the full extent and possible prolonged nature of the economic downturn that will result from COVID-19. The most likely material risk to the business being a sustained reduction in demand for consumer durables or new credit cards and the associated protection products sold alongside them.

While global uncertainty is likely to remain for some time, we are reassured by being able to rely on our excellent people and culture to adapt and innovate, as well as our solid financial foundation and cash position to manage any short term shocks. We remain confident that the business is in a strong position to respond operationally and financially.

Jason Walsh

Chief Executive Officer

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Note	**6 months ended 30 June 2020 £'000 (Unaudited)**	6 months ended 30 June 2019 £'000 (Unaudited)	Year ended 31 December 2019 £'000 (Audited)
Revenue	3	**61,754**	60,229	138,362
Cost of sales		**(44,242)**	(40,730)	(97,874)
Gross profit		**17,512**	19,499	40,488
Administrative expenses		**(16,358)**	(18,448)	(38,541)
Share of loss of joint venture		**(121)**	(152)	(320)
Operating profit		**1,033**	899	1,627
Analysed as:				
EBITDA	3	**2,419**	2,319	5,442
Depreciation and amortisation		**(1,865)**	(1,420)	(3,305)
Exceptional items	4	**479**	-	(510)
Investment revenues		**436**	253	508
Finance costs		**(457)**	(302)	(1,003)
Profit before taxation		**1,012**	850	1,132
Taxation	5	**(1,751)**	(1,006)	(2,076)
Loss for the period		**(739)**	(156)	(944)
Attributable to:				
Equity holders of the Company		**(790)**	(113)	(1,009)
Non-controlling interests		**51**	(43)	65
		(739)	(156)	(944)
Loss per share				
		Pound	Pound (Restated*)	Pound (Restated*)
Basic and diluted loss per share	7	**(0.09)**	(0.01)	(0.12)

* Restated for the share consolidation completed on 29 May 2020. See note 2.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 30 June 2020 £'000 (Unaudited)	6 months ended 30 June 2019 £'000 (Unaudited)	Year ended 31 December 2019 £'000 (Audited)
Loss for the period	**(739)**	(156)	(944)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**(218)**	20	(219)
Exchange differences reclassified on disposal of foreign operations	**476**	-	-
Other comprehensive income/(expense) for the period net of taxation	**258**	20	(219)
Total comprehensive expense for the period	**(481)**	(136)	(1,163)
Attributable to:			
Equity holders of the Company	**(541)**	(93)	(1,188)
Non-controlling interests	**60**	(43)	25
	(481)	(136)	(1,163)

CONSOLIDATED BALANCE SHEET

	Note	**30 June 2020 £'000 (Unaudited)**	30 June 2019 £'000 (Unaudited)	31 December 2019 £'000 (Audited)
Non-current assets				
Goodwill	8	1,388	1,492	1,492
Other intangible assets	8	3,715	3,168	3,533
Property, plant and equipment	8	2,362	2,236	2,362
Right-of-use assets	8	6,325	6,087	6,496
Investment in joint venture		593	882	714
Deferred tax assets		802	1,376	1,152
Net investment lease assets		-	63	16
Contract assets		541	578	709
		15,726	15,882	16,474
Current assets				
Insurance assets		37	-	42
Inventories		182	142	87
Net investment lease assets		63	168	140
Contract assets		4,803	4,969	6,108
Trade and other receivables		21,998	13,263	17,778
Cash and cash equivalents		18,237	22,372	21,957
		45,320	40,914	46,112
Total assets		61,046	56,796	62,586
Current liabilities				
Insurance liabilities		(1,563)	(471)	(756)
Income tax liabilities		(1,228)	(779)	(601)
Trade and other payables		(23,104)	(19,109)	(23,922)
Borrowings		28	-	-
Provisions		(304)	(70)	-
Lease liabilities		(1,153)	(1,390)	(1,371)
Contract liabilities		(10,816)	(11,971)	(12,169)
		(38,140)	(33,790)	(38,819)
Net current assets		7,180	7,124	7,293
Non-current liabilities				
Borrowings		-	71	50
Deferred tax liabilities		(234)	(90)	(373)
Provisions		-	(310)	(309)
Lease liabilities		(5,708)	(5,440)	(5,895)
Contract liabilities		(1,025)	(926)	(1,248)
		(6,967)	(6,695)	(7,775)
Total liabilities		(45,107)	(40,485)	(46,594)
Net assets		15,939	16,311	15,992
Equity				
Share capital	9	24,152	24,040	24,056
Share premium account		45,225	45,225	45,225
Merger reserve		(100,399)	(100,399)	(100,399)
Translation reserve		548	498	299
ESOP reserve		17,369	16,249	16,999
Retained earnings		28,100	29,882	28,928
Equity attributable to equity holders of the Company		14,995	15,495	15,108
Non-controlling interests		944	816	884
Total equity		15,939	16,311	15,992

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Share premium account	Merger reserve	Translation reserve	ESOP reserve	Retained earnings	Total	Non-controlling interests	Total equity
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
6 months ended 30 June 2020 (Unaudited)										
At 1 January 2020		**24,056**	**45,225**	**(100,399)**	**299**	**16,999**	**28,928**	**15,108**	**884**	**15,992**
Loss for the period		**-**	**-**	**-**	**-**	**-**	**(790)**	**(790)**	**51**	**(739)**
Other comprehensive income for the period		**-**	**-**	**-**	**249**	**-**	**-**	**249**	**9**	**258**
Total comprehensive expense for the period		**-**	**-**	**-**	**249**	**-**	**(790)**	**(541)**	**60**	**(481)**
Equity-settled share-based payment charge	**10**	**-**	**-**	**-**	**-**	**370**	**-**	**370**	**-**	**370**
Deferred tax on intangible asset		**-**	**-**	**-**	**-**	**-**	**58**	**58**	**-**	**58**
Exercise of share options	**9**	**96**	**-**	**-**	**-**	**-**	**(96)**	**-**	**-**	**-**
At 30 June 2020		**24,152**	**45,225**	**(100,399)**	**548**	**17,369**	**28,100**	**14,995**	**944**	**15,939**
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		-	-	-	-	-	(203)	(203)	-	(203)
Loss for the period		-	-	-	-	-	(113)	(113)	(43)	(156)
Other comprehensive income for the period		-	-	-	20	-	-	20	-	20
Total comprehensive expense for the period		**-**	**-**	**-**	**20**	**-**	**(113)**	**(93)**	**(43)**	**(136)**
Equity-settled share-based payment charge	10	-	-	-	-	365	-	365	-	365
Exercise of share options		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
Year ended 31 December 2019 (Audited)									-	
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		-	-	-	-	-	(203)	(203)	-	(203)
Loss for the year		-	-	-	-	-	(1,009)	(1,009)	65	(944)
Other comprehensive expense for the year		-	-	-	(179)	-	-	(179)	(40)	(219)
Total comprehensive expense for the period		**-**	**-**	**-**	**(179)**	**-**	**(1,009)**	**(1,188)**	**25**	**(1,163)**
Equity-settled share-based payment charge	10	-	-	-	-	1,115	-	1,115	-	1,115
Deferred tax on intangible asset		-	-	-	-	-	(58)	(58)	-	(58)
Exercise of share options		35	-	-	-	-	-	35	-	35
Movement in non-controlling interest		-	-	-	-	-	(125)	(125)	125	-
At 31 December 2019		24,056	45,225	(100,399)	299	16,999	28,928	15,108	884	15,992

CONSOLIDATED CASH FLOW STATEMENT

	Note	**6 months ended 30 June 2020 £'000 (Unaudited)**	6 months ended 30 June 2019 £'000 (Unaudited)	Year ended 31 December 2019 £'000 (Audited)
Net cash (used in)/from operating activities	11	**(2,279)**	(1,406)	1,138
Investing activities				
Interest received		**434**	248	499
Purchases of property, plant and equipment		**(290)**	(836)	(1,477)
Purchases of intangible assets		**(780)**	(844)	(2,184)
Receipts from net investment lease assets		**53**	78	157
Net cash used in investing activities		**(583)**	(1,354)	(3,005)
Financing activities				
Repayment of the lease liabilities		**(975)**	(837)	(1,770)
Interest paid		**(159)**	(61)	(444)
Issue of ordinary share capital	9	**-**	19	35
Net cash used in financing activities		**(1,134)**	(879)	(2,179)
Net decrease in cash and cash equivalents		**(3,996)**	(3,639)	(4,046)
Effect of foreign exchange rate changes		**276**	56	48
Cash and cash equivalents at start of period		**21,957**	25,955	25,955
Cash and cash equivalents at end of period		**18,237**	22,372	21,957

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 General information

The condensed consolidated interim financial statements for the six months ended 30 June 2020 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 2019 were approved by the Board on 15 April 2020 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 2020 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 2019, 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 23 September 2020.

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 2020:

IFRS 3 (amendments) Business combinations – definition of a business	1 January 2020
IAS 1 and IAS 8 (amendments) - definition of material	1 January 2020

The new or amended standards and interpretations applied for the first time in the period commencing 1 January 2020 have not had a material impact on the Group.

In December 2019, the Card Protection policy book in the Italian branch of Card Protection Plan Limited (CPPL) was transferred to CPP Italia Srl, an Italian legal entity in the Ongoing Operations segment. The Italian branch of CPPL has subsequently been closed in H1 2020. The revenue and EBITDA associated with the policy book is material and in 2020 has been recognised in Ongoing Operations. As a result, in accordance with IFRS 8 *Operating Segments*, the Group has restated the comparative information to transfer the relevant Italian results from Restricted Operations to Ongoing Operations. The transfer recognised between segments for revenue was £1,507,000 for the six months ended 30 June 2019 and £2,913,000 for the year ended 31 December 2019 and to EBITDA was £483,000 for the six months ended 30 June 2019 and £1,035,000 for the year ended 31 December 2019. See note 3.

On 29 May 2020, a share consolidation was undertaken on the basis of one new ordinary share of £1 issued for every 100 former ordinary shares of 1 penny. Refer to note 9 for further details. In accordance with IAS 33 *Earnings per share*, the share consolidation and change in nominal value of ordinary shares has resulted in a restatement of the comparative information. See note 7.

Going concern

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

The Group has a formalised process of budgeting, reporting and review along with procedures to forecast its profitability and cash flows. The plans provide information to the Directors which are used to ensure the adequacy of resources available for the Group to meet its business objectives, both in the short-term and in relation to its strategic priorities. The Group's revenue, profit and cash flow forecasts are subject to robust downside stress testing which involves modelling the impact of a combination of plausible adverse scenarios. This was focused on the impact of the Group's key operational risks crystallising and considered the impact of COVID-19 on operations across the Group.

Taking the analysis into consideration, the Directors are satisfied that the Group has the necessary resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

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.

In December 2019, the Card Protection policy book in the Italian branch of CPPL was transferred to CPP Italia Srl, an Italian legal entity in the Ongoing Operations segment. As a result, the performance of the transferred Italian policy book is now reported in Ongoing Operations rather than Restricted Operations, The comparative information has been restated to reflect the change. See note 2. The adjustments relating to the restatement have not been audited.

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

Six months ended 30 June 2020 (Unaudited)	**Ongoing Operations £'000**	**Restricted Operations £'000**	**Central Functions £'000**	**Total £'000**
Revenue - external sales	56,562	5,192	-	61,754
Segmental EBITDA	**3,447**	**1,437**	**(2,344)**	**2,540**
Share of loss of joint venture				(121)
EBITDA				**2,419**
Depreciation and amortisation				(1,865)
Exceptional items				479
Operating profit				**1,033**
Investment revenues				436
Finance costs				(457)
Profit before taxation				**1,012**
Taxation				(1,751)
Loss for the period				**(739)**

3 Segmental analysis (continued)

Six months ended 30 June 2019 (Unaudited)	Ongoing Operations (Restated*) £'000	Restricted Operations (Restated*) £'000	Central Functions £'000	Total £'000
Revenue - external sales	52,869	7,360	-	60,229
Segmental EBITDA	**2,540**	**2,714**	**(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)**

* Restated for a change in the composition of operating segments. See note 2.

Year ended 31 December 2019 (Audited)	Ongoing Operations (Restated*) £'000	Restricted Operations (Restated*) £'000	Central Functions £'000	Total £'000
Revenue - external sales	123,875	14,487	-	138,362
Segmental EBITDA	**5,575**	**6,608**	**(6,421)**	**5,762**
Share of loss of joint venture				(320)
EBITDA				**5,442**
Depreciation and amortisation				(3,305)
Exceptional items				(510)
Operating profit				**1,627**
Investment revenues				508
Finance costs				(1,003)
Profit before taxation				**1,132**
Taxation				(2,076)
Loss for the year				**(944)**

* Restated for a change in the composition of operating segments. See note 2.

3 Segmental analysis (continued)

Segmental assets

	30 June 2020	30 June 2019 (Restated*)	31 December 2019 (Restated*)
	£'000	£'000	£'000
	(Unaudited)	(Unaudited)	(Audited)
Ongoing Operations	**47,316**	37,713	43,874
Restricted Operations	**7,615**	13,239	11,278
Central Functions	**3,332**	2,094	4,076
Total segment assets	**58,263**	53,046	59,228
Unallocated assets	**2,783**	3,750	3,358
Consolidated total assets	**61,046**	56,796	62,586

* Restated for a change in the composition of operating segments. See note 2.

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

Capital expenditure

	Other intangible assets		
	6 months ended 30 June 2020	6 months ended 30 June 2019	Year ended 31 December 2019
	£'000 (Unaudited)	£'000 (Unaudited)	£'000 (Audited)
Ongoing Operations	**550**	502	1,857
Restricted Operations	**230**	32	32
Central Functions	**-**	310	295
Total assets	**780**	844	2,184

	Property, plant and equipment			**Right-of-use assets**		
	6 months ended 30 June 2020	6 months ended 30 June 2019	Year ended 31 December 2019	**6 months ended 30 June 2020**	6 months ended 30 June 2019	Year ended 31 December 2019
	£'000 (Unaudited)	£'000 (Unaudited)	£'000 (Audited)	**£'000 (Unaudited)**	£'000 (Unaudited)	£'000 (Audited)
Ongoing Operations	**223**	528	1,069	**694**	1,569	3,065
Restricted Operations	**13**	137	145	**41**	-	-
Central Functions	**54**	171	263	**513**	-	-
Total assets	**290**	836	1,477	**1,248**	1,569	3,065

3 Segmental analysis (continued)

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 2020 £'000 (Unaudited)	6 months ended 30 June 2019 £'000 (Unaudited)	Year ended 31 December 2019 £'000 (Audited)
At a point in time	**48,606**	49,070	115,014
Over time	**13,148**	11,159	23,348
	61,754	60,229	138,362

Revenue from major products

	6 months ended 30 June 2020 £'000 (Unaudited)	6 months ended 30 June 2019 £'000 (Unaudited)	Year ended 31 December 2019 £'000 (Audited)
Retail assistance policies	**55,884**	56,627	128,300
Retail insurance policies	**12**	96	97
Wholesale policies	**1,715**	1,682	3,859
Non-policy revenue	**4,143**	1,824	6,106
Consolidated revenue	**61,754**	60,229	138,362

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

3 Segmental analysis (continued)

Geographical information

The Group operates across a wide number of territories, of which 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 assets) by geographical location is detailed below:

	External revenues			Non-current assets		
	6 months ended 30 June 2020	6 months ended 30 June 2019	Year ended 31 December 2019	**30 June 2020**	30 June 2019	31 December 2019
	£'000 (Unaudited)	£'000 (Unaudited)	£'000 (Audited)	**£'000 (Unaudited)**	£'000 (Unaudited)	£'000 (Audited)
India	**46,007**	40,894	99,613	**7,625**	6,347	7,791
UK	**5,477**	7,174	14,176	**3,725**	4,406	3,490
Spain	**3,725**	4,415	8,608	**390**	564	481
Other	**6,545**	7,746	15,965	**2,591**	2,307	2,846
Total	**61,754**	60,229	138,362	**14,331**	13,624	14,608

Information about major customers

Revenue from customers of one business partner in our Ongoing Operations segment represented approximately £30,222,000 (H1 2019: £27,708,000; year ended 31 December 2019: £69,832,000) of the Group's total revenue.

4 Exceptional items

	6 months ended 30 June 2020	6 months ended 30 June 2019	Year ended 31 December 2019
	£'000	£'000	£'000
	(Unaudited)	(Unaudited)	(Audited)
Restructuring costs	**206**	-	510
Customer redress and associated costs	**(685)**	-	-
Exceptional (credit)/charge included in operating profit	**(479)**	-	510
Tax on exceptional items	**-**	-	(125)
Total exceptional (credit)/charge after tax	**(479)**	-	385

Restructuring costs of £206,000 (H1 2019: £nil; 31 December 2019: £510,000) primarily relate to redundancy costs and onerous contracts associated with the closure of the Southeast Asia operation.

Customer redress and associated costs are a credit of £685,000 (H1 2019 and 31 December 2019: £nil) and relate to the reversal of certain historical customer redress liabilities which do not require settlement. The credit is considered exceptional as it is a reversal of exceptional charges made in prior years.

5 Taxation

The effective tax rate at the half year is 173% (H1 2019: 118%; year ended 31 December 2019: 183%). The tax charge of £1,751,000 (H1 2019: £1,006,000; year ended 31 December 2019: £2,076,000) reflects charges on taxable profits arising in India, Turkey 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 currently reduce the overall Group profit before tax to a level that is lower than the tax charges recognised in our profitable markets. This position is further exacerbated by the Group policy that deferred tax assets should only be recognised when profit forecasts indicate tax losses will be utilised in the short-term. By their very nature our developing markets are investing for growth and profit expectations in the short-term lead us not to recognise deferred tax assets in the these areas.

The 2020 full year rate may vary from the H1 2020 rate due to the territory mix of future 2020 profits or losses. The Group's effective tax rate is expected to remain significantly higher than the UK statutory tax rate in the medium-term.

6 Dividends

The Directors have not proposed an interim dividend for 2020. Neither an interim or final dividend was proposed in 2019.

7 Loss per share

Basic and diluted loss per share has been calculated in accordance with IAS 33 *Earnings per share*. Underlying loss per share, which excludes exceptional items, has 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 2020, six months ended 30 June 2019 and the year ended 31 December 2019.

In accordance with IAS 33, the loss per share for the six months ended 30 June 2019 and year ended 31 December 2019 have been restated to reflect the impact of the share consolidation which completed on 29 May 2020. The share consolidation has reduced the number of ordinary shares in issue and outstanding share options over ordinary shares in the ratio of 1 for 100. The value of an ordinary share has also been increased to £1 from 1 penny. Refer to notes 9 and 10 for further detail. The adjustments relating to the restatement have not been audited.

Six months ended 30 June 2020 (Unaudited)	**Total**
Losses	**£'000**
Loss for the purposes of basic and diluted loss per share	**(790)**
Exceptional items (net of tax)	**(479)**
Loss for the purposes of underlying basic and diluted loss per share	**(1,269)**
Number of shares	**Number (thousands)**
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share and underlying loss per share	**8,683**
Loss per share	**Total £**
Basic and diluted loss per share	**(0.09)**
Basic and diluted underlying loss per share	**(0.15)**

7 Loss per share (continued)

Six months ended 30 June 2019 (Unaudited)	Total
Losses	£'000
Loss for the purposes of basic and diluted loss per share and underlying loss per share	**(113)**
Number of shares	Number (Restated*) (thousands)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share and underlying loss per share	8,620
Loss per share	Total (Restated*) £
Basic and diluted loss per share	(0.01)
Basic and diluted underlying loss per share	(0.01)

* Restated for the share consolidation completed on 29 May 2020. See note 2.

Year ended 31 December 2019 (Audited)	Total
Losses	£'000
Loss for the purposes of basic and diluted loss per share	(1,009)
Exceptional items (net of tax)	385
Loss for the purposes of underlying basic and diluted loss per share	(624)
Number of shares	Number (Restated*) (thousands)
Weighted average number of ordinary shares for the purposes of basic and diluted loss and underlying loss per share	8,629
Loss per share	Total (Restated*) £
Basic and diluted loss per share	(0.12)
Basic and diluted underlying loss per share	(0.07)

* Restated for the share consolidation completed on 29 May 2020. See note 2.

8 Tangible and intangible assets

	Goodwill	Other intangible assets	Property, plant and equipment	Right-of-use assets	Total
	£'000	£'000	£'000	£'000	£'000
Six months ended 30 June 2020 (Unaudited)					
Carrying amount at 1 January 2020	**1,492**	**3,533**	**2,362**	**6,496**	**13,883**
Additions	**-**	**780**	**290**	**1,248**	**2,318**
Disposals	**-**	**(16)**	**(3)**	**(654)**	**(673)**
Amortisation/depreciation	**-**	**(633)**	**(293)**	**(794)**	**(1,720)**
Impairment	**(104)**	**-**	**-**	**(41)**	**(145)**
Exchange adjustments	**-**	**51**	**6**	**70**	**127**
Carrying amount at 30 June 2020	**1,388**	**3,715**	**2,362**	**6,325**	**13,790**
Six months ended 30 June 2019 (Unaudited)					
Carrying amount at 1 January 2019	1,492	2,788	1,717	5,123	11,120
Additions	-	844	836	1,569	3,249
Disposals	-	(7)	(32)	-	(39)
Amortisation/depreciation	-	(471)	(293)	(656)	(1,420)
Exchange adjustments	-	14	8	51	73
Carrying amount at 30 June 2019	1,492	3,168	2,236	6,087	12,983
Year ended 31 December 2019 (Audited)					
Carrying amount at 1 January 2019	1,492	2,788	1,717	5,123	11,120
Additions	-	2,184	1,477	3,065	6,726
Disposals	-	(6)	(34)	-	(40)
Amortisation/depreciation	-	(991)	(690)	(1,302)	(2,983)
Impairment	-	(322)	-	-	(322)
Exchange adjustments	-	(120)	(108)	(390)	(618)
Carrying amount at 31 December 2019	1,492	3,533	2,362	6,496	13,883

In the six months ended 30 June 2020, a goodwill impairment of £104,000 has been recognised reflecting the latest assessment of the value in use of the Valeos business. This represents a full impairment of the Valeos goodwill. The impairment loss has been recognised within depreciation and amortisation in the consolidated income statement.

9 Share capital

Number (thousands)	Ordinary shares of 1 penny each	Ordinary shares of £1 each	Deferred shares of 9 pence each	Total
Called-up and allotted				
At 1 January 2020	**864,650**	**-**	**171,650**	**1,036,300**
Issue of shares in connection with:				
Exercise of share options	**9,485**	**1**	**-**	**9,486**
Share consolidation	**(874,135)**	**8,741**	**-**	**(865,394)**
At 30 June 2020	**-**	**8,742**	**171,650**	**180,392**

£'000	Ordinary shares of 1 penny each	Ordinary shares of £1 each	Deferred shares of 9 pence each	Total
Called-up and allotted				
At 1 January 2020	**8,643**	**-**	**15,413**	**24,056**
Issue of shares in connection with:				
Exercise of share options	**95**	**1**	**-**	**96**
Share consolidation	**(8,738)**	**8,738**	**-**	**-**
At 30 June 2020	**-**	**8,739**	**15,413**	**24,152**

On 29 May 2020, a share consolidation was undertaken on the basis of one new ordinary share of £1 issued for every 100 former ordinary shares of 1 penny. The share consolidation exercise has reduced the total number of ordinary shares in issue by 865,394,000 whilst the equity value has remained unchanged. The new ordinary shares carry the same rights as the former ordinary shares. The deferred shares were not subject to the share consolidation.

Share capital at 30 June 2020 is £24,152,000 (H1 2019: £24,040,000; 31 December 2019: £24,056,000). To satisfy share option exercises in the six month period to 30 June 2020 the Company has issued 9,485,163 1 penny ordinary shares prior to the share consolidation and 626 £1 ordinary shares post share consolidation for a total equity value of £96,000. Following the share consolidation, outstanding share options have also been reduced in the same 1:100 ratio as the ordinary shares. Refer to note 10 for further detail.

The total number of ordinary shares in issue at 30 June 2020 is 8,741,976 of which 8,736,977 are fully paid and 4,999 are partly paid.

10 Share-based payment

Equity-settled share-based payments

Share-based payment charges for the six month period to 30 June 2020 comprise Long Term Incentive Plan 2016 (2016 LTIP) charges of £370,000 (H1 2019: £365,000; 31 December 2019: £1,115,000) which are disclosed within administrative expenses.

There have been no further options granted in the six month period to 30 June 2020 as part of the 2016 LTIP (30 June 2019 and 31 December 2019: 18,092,000 options granted).

The share consolidation which completed on 29 May 2020 led to outstanding share options being reduced in the ratio of one option over a £1 ordinary share for 100 options over a 1 penny ordinary share. As a result, the number of outstanding share options has reduced by 32,769,000.

	Number of share options (thousands)	Weighted average exercise price (£)
Six months ended 30 June 2020 (Unaudited)		
2016 LTIP		
Outstanding at 1 January 2020	**44,187**	**-**
Exercised during the period	**(9,486)**	**-**
Lapsed during the period	**(1,602)**	
Reduction through share consolidation (note 9)	**(32,769)**	**-**
Outstanding at 30 June 2020	**330**	**-**
Exercisable at 30 June 2020	**16**	**-**

	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 during the period	(7,417)	-
Forfeited during the period	(4,469)	-
Outstanding at 30 June 2019	44,187	-

	Number of share options (thousands)	Weighted average exercise price (£)
Year ended 31 December 2019 (Audited)		
2016 LTIP		
Outstanding at 1 January 2019	37,981	-
Granted during the year	18,092	-
Lapsed during the year	(7,417)	-
Forfeited during the year	(4,469)	-
Outstanding at 31 December 2019	44,187	-

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 non-financial event measures within the vesting period.

The 2016 LTIP options outstanding at 30 June 2020 had a weighted average remaining contractual life of one year (30 June 2019: two years; 31 December 2019: one year).

Cash-settled share-based payments

The Group has 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 Group has recorded a total credit in relation to this award in the six months to 30 June 2020 of £10,000 (H1 2019: £24,000 charge; year ended 31 December 2019: £105,000 charge). The Group has recorded liabilities of £111,000 (30 June 2019: £24,000; 31 December 2019: £121,000) in relation to these notional awards.

11 Reconciliation of operating cash flows

	6 months ended 30 June 2020 £'000 (Unaudited)	6 months ended 30 June 2019 £'000 (Unaudited)	Year ended 31 December 2019 £'000 (Audited)
Loss for the period	**(739)**	(156)	(944)
Adjustments for:			
Depreciation and amortisation	**1,720**	1,420	2,983
Share-based payment expense	**360**	389	1,220
Impairment loss on tangible and intangible assets	**145**	-	322
Loss on disposal of intangible assets	**16**	6	6
Loss on disposal of property, plant and equipment	**3**	31	34
Share of loss of joint venture	**121**	152	320
Investment revenues	**(436)**	(253)	(508)
Finance costs	**457**	302	1,003
Income tax charge	**1,751**	1,006	2,076
Operating cash flows before movement in working capital	**3,398**	2,897	6,512
(Increase)/decrease in inventories	**(95)**	17	72
Decrease/(increase) in contract assets	**1,555**	(443)	(2,133)
(Increase)/decrease in receivables	**(4,538)**	321	(4,970)
Decrease/(increase) in insurance assets	**5**	24	(18)
(Decrease)/increase in payables	**(950)**	(3,700)	1,556
(Decrease)/increase in contract liabilities	**(1,792)**	846	2,245
Increase/(decrease) in insurance liabilities	**807**	(146)	139
Decrease in provisions	**(5)**	(482)	(553)
Cash (used in)/from operations	**(1,615)**	(666)	2,850
Income taxes paid	**(664)**	(740)	(1,712)
Net cash (used in)/from operating activities	**(2,279)**	(1,406)	1,138

12 Related party transactions

Transactions with associated undertakings

The Group has a balance receivable from its joint venture, KYND, in the amount of £150,000 (30 June 2019 and 31 December 2019: £nil). The loan by the Group to KYND forms part of KYND's participation in the UK Governments 'Future Fund Scheme' and falls due for repayment on 26 June 2023.

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 2020, the Group has paid £28,000 plus VAT (H1 2019: £25,000; year ended 31 December 2019: £100,000) to ORCL, 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 2020 was £37,000 (H1 2019: £38,000; year ended 31 December 2019: £75,000) 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 2020 £'000 (Unaudited)	6 months ended 30 June 2019 £'000 (Unaudited)	Year ended 31 December 2019 £'000 (Audited)
Short-term employee benefits	**1,143**	1,107	2,412
Post-employment benefits	**44**	43	87
Share-based payments	**98**	317	893
	1,285	1,467	3,392

13 Events after the balance sheet date

On 26 August 2020, the £5,000,000 revolving credit facility (RCF) was extended for a three-year term expiring on 31 August 2023. The extended RCF bears interest at a variable rate of LIBOR plus a margin of 3.75%. It is secured by fixed and floating charges on certain assets of the Group. The financial covenants of the RCF are based on the interest cover and minimum total cash balance of the Group.