CPPGROUP PLC

27 SEPTEMBER 2018

HALF YEAR REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2018

CPPGroup Plc - Half year report for the six months ended 30 June 2018

CPP growth continues

CPPGroup Plc (CPP or the Group) today announces its results for the six months ended 30 June 2018.

Revenue

- Reported Group revenue increased by 18% to £51.3 million (H1 2017: £45.3 million)
- Revenue from Ongoing Operations increased by 36% to £40.0 million (H1 2017: £31.1 million)
- India revenues increased 60% to £28.3 million (H1 2017: £19.2 million)
- Revenue from Restricted Operations (historic back books) of £11.3 million (H1 2017: £14.1 million), the expected reduction of 21%. Annual renewal rates within Restricted Operations have remained strong at 82% (H1 2017: 82%)
- Worldwide customer numbers increased by 23% to 6.7 million (31 December 2017: 5.5 million)

Business Development

- Cash investment in business growth projects of £1.9 million (H1 2017: £1.1 million), of which £1.2 million (H1 2017: £0.2 million) charged to underlying operating profit
- Recent agreement to expand in-house capability of our Indian business through a majority stake in Globiva Services Private Limited, a business process management company based in India

Costs

- Refocus of Central Function costs from supporting Restricted Operations to facilitating growth in Ongoing Operations
- Streamlining of EU-based businesses underway, developing an EU hub in Madrid with responsibility for our operations in Germany, Italy, Portugal and Spain

Profit measures

- Statutory operating profit of £1.2 million (H1 2017: £2.4 million)
- Underlying operating profit reduced by 17% to £1.4 million (H1 2017: £1.8 million) reflecting a margin of 3% (H1 2017: 4%), with the growth in profit from our international business not yet covering the reduction in the higher margin European renewal books
- Underlying operating profit margin, before investment costs of £1.2 million (H1 2017: £0.2 million), has increased to 5% (H1 2017: 4%)
- Profit before tax of £1.3 million (H1 2017: £2.3 million)

Note – All 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.

Jason Walsh, Chief Executive Officer, commented:

"We are now starting to see how revenue growth in our continuing businesses is outstripping the decline from our historic back book activities. The revenue growth that we saw in 2017 and which has continued in the first half of 2018 has laid the foundation for further growth. We have continued to invest in expanding our product and service capability; whilst the restructuring activities that we have commenced in our EU markets demonstrate the importance we place on operating efficiently and managing our cost base.

We are delivering against our strategic plan and expect to continue this good progress."

Highlights	**Six months ended 30 June 2018 (Unaudited)**	Six months ended 30 June 2017[1] (Unaudited)
Revenue (£ millions)	**51.3**	45.3
Operating profit (£ millions)		
− Statutory	**1.2**	2.4
− Underlying[2]	**1.4**	1.8
Profit before tax (£ millions)	**1.3**	2.3
Basic earnings per share (pence)	**0.05**	0.27
Net assets (£ millions)	**15.8**	13.1
Net funds (£ millions)[3]	**29.5**	29.7

1. Results for the six months ended 30 June 2017 have been restated to reflect the adoption of IFRS 15. Further detail is provided in note 11 to the condensed consolidated interim financial statements.
2. Underlying operating profit excludes an exceptional charge of £0.2 million (H1 2017: £0.8 million credit) and Matching Share Plan (MSP) charges of £0.1 million (H1 2017: £0.2 million).
3. Net funds comprise cash and cash equivalents of £29.4 million (H1 2017: £32.2 million) and a borrowing asset of £0.1 million (H1 2017: £2.5 million liability).

Enquiries

CPPGroup Plc
Jason Walsh, Chief Executive Officer
Oliver Laird, Chief Financial Officer
Tel: +44 (0)113 487 7350

Nominated Adviser and Broker
Investec Bank plc: Sara Hale, James Rudd, Carlton Nelson
Tel: +44 (0)20 7597 5970

Media
Maitland: Neil Bennett, Daniel Yea
Tel: +44 (0)20 7379 5151
Email: cpp-maitland@maitland.co.uk

About CPP

CPP is a leading, international product innovation business which works with business partners across a range of sectors in 10 markets within Asia, Europe and Latin America to provide product, marketing and distribution expertise delivering tangible commercial benefits and meaningful solutions to their customers.

CPP's insurance and assistance products provide 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 www.international.cppgroup.com

REGISTERED OFFICE
CPPGroup Plc
6 East Parade
Leeds
LS1 2AD

Registered number: 07151159

CHIEF EXECUTIVE'S STATEMENT

CPP has made good progress during the first half of 2018. We have continued to apply the strategy that we outlined during 2017 which focused on developing strong business partner relationships and creating partnerships to drive innovation and product capability. This focus is driving positive progress across a number of our markets and places us in a strong position to capitalise on the many opportunities that exist within our diverse portfolio.

Financial performance

The Group has continued the turnaround since 2017 and has grown revenue and customer numbers during 2018. This has been led by good performance in our Indian and Turkish markets where the focus on developing strong, trusted business partner relationships complimented by innovative product development to meet partner and customer requirements is driving the growth.

Six months ended 30 June	**2018 £'m**	2017 (Restated[1]) £'m	Change	Constant currency change
Revenue	**51.3**	45.3	13%	18%
Underlying operating profit	**1.4**	1.8	(21)%	(17)%
Operating profit	**1.2**	2.4	(50)%	(48)%

1. Restated for the impact of IFRS 15.

Group revenue of £51.3 million (H1 2017: £45.3 million restated) has grown by 18% which includes growth in India of 60%. Our live policy base has increased in the first half to 6.7 million (31 December 2017: 5.5 million) which represents an uplift of 23% and has increased by over 50% since the beginning of 2017.

Operating profit in the first half of the year has decreased to £1.2 million (H1 2017: £2.4 million restated). As a business we focus on profit which excludes exceptional items and MSP charges and we consider provides a more consistent view of business performance. As expected, underlying operating profit has reduced to £1.4 million (H1 2017: £1.8 million restated) which reflects our growing revenue profile which naturally carries associated costs of sale and is replacing the falling renewal revenue of the back books in our European-based markets and costs associated with business growth projects. This impact has been partly offset by a reduction in our central costs following the organisational restructure in 2017. Group underlying operating profit when excluding the impact of investment in business growth projects has increased to £2.6 million (H1 2017: £1.9 million at constant currency) which represents a margin of 5% (H1 2017: 4%).

Profit before tax has decreased to £1.3 million (H1 2017: £2.3 million).

Cost control and margin improvement remain a crucial focus for the Group. In growing markets such as India, where the impact of acquisition costs on margin are greatest, actions to improve the margin are in progress. These actions include reducing the cost to service policies through our investment in Globiva Services Private Limited (Globiva) and ongoing review of third party content provider contracts. In our EU markets we have taken action to reduce overhead through implementing an EU hub operation which streamlines working practices, leadership and support functions. We have recently commenced restructuring activities in Germany, Italy and Spain to realise further efficiencies within this operating model. We expect to take further steps to rationalise the Group's activities in the second half of the year. These decisive actions will result in one-off restructuring costs, but will lead to improvements in the underlying profitability of the Group into 2019.

Turkey is an important growth market to the Group and the current economic uncertainty and further weakening of the exchange rate will impact the Group's sterling reported results and financial position. The exchange rate has reduced by approximately 35% since 30 June 2018. The Group continues to monitor the situation and consider appropriate actions to mitigate the risk. Turkey's sales volumes during this time have been strong and are not at present showing signs of being negatively impacted.

Segmental change

As we continued to embed our strategy it became clear that the way we managed and looked at our business had changed. During the first half of 2018 we have repositioned our segmental reporting to a basis that reflects the way in which we allocate resources and manage our business. Each segment now includes an allocation of costs incurred centrally for activities our countries require in order to function effectively. These central costs relate primarily to IT services. The cost allocation is consistent with that reflected in statutory reporting in our countries.

The previous regional basis has therefore been replaced by three new segments:

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

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

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

REVENUE	**H1 2018 £'m**	H1 2017 (Restated[1]) £'m	Change	Constant currency change
Restricted Operations	**11.3**	14.1	(20)%	(21)%
Ongoing Operations				
India	**28.3**	19.2	47%	60%
Spain	**5.5**	5.8	(6)%	(9)%
Turkey	**2.5**	2.1	16%	43%
Germany	**2.0**	2.1	(3)%	(5)%
Rest of World[2]	**1.8**	1.9	(7)%	(5)%
Total Ongoing Operations	**40.0**	31.1	28%	36%
Group revenue	**51.3**	45.3	13%	18%

1. Restated for the impact of IFRS 15.
2. Rest of World comprises China, Italy, Portugal, Malaysia, Mexico, UK, CPP Innovation (CPPI) and Bangladesh.

UNDERLYING OPERATING PROFIT/(LOSS)	**H1 2018 £'m**	H1 2017 (Restated[1]) £'m	Change	Constant currency change
Restricted Operations	**5.5**	4.4	24%	24%
Ongoing Operations				
India	**0.6**	0.3	106%	154%
Spain	**0.5**	1.4	(64)%	(65)%
Turkey	**0.4**	0.3	17%	48%
Germany	**(0.2)**	-	(537)%	(483)%
Rest of World	**(1.8)**	(0.5)	(231)%	(236)%
Total Ongoing Operations	**(0.5)**	1.5	(136)%	(138)%
Central Functions	**(3.5)**	(4.1)	15%	15%
Segmental underlying operating profit	**1.5**	1.8	(18)%	(13)%
Share of loss in joint venture	**(0.1)**	-	(100)%	(100)%
Group underlying operating profit	**1.4**	1.8	(21)%	(17)%

1. Restated for the impact of IFRS 15.

The table below details the performance of each of our segments, highlighting the impact of investment in business growth projects and presenting H1 2017 on a constant currency basis:

	H1 2018 underlying operating profit/(loss) £'m	Investment in business growth projects[1] £'m	**H1 2018 adjusted underlying operating profit/(loss) £'m**	**H1 2018 adjusted margin %**	H1 2017 adjusted underlying operating profit at constant currency[2] £'m	H1 2017 adjusted margin at constant currency %
Restricted Operations	5.5	-	**5.5**	**49%**	4.4	31%
Ongoing Operations						
India	0.6	-	**0.6**	**2%**	0.2	1%
Spain	0.5	-	**0.5**	**9%**	1.4	23%
Turkey	0.4	-	**0.4**	**15%**	0.3	15%
Germany	(0.2)	-	**(0.2)**	**(9)%**	-	2%
Rest of World	(1.8)	1.1	**(0.7)**	**(42)%**	(0.3)	(17)%
Total Ongoing Operations	(0.5)	1.1	**0.6**	**1%**	1.6	5%
Central Functions	(3.5)	-	**(3.5)**	**(100)%**	(4.1)	(100)%
Segmental underlying operating profit	1.5	1.1	**2.6**	**5%**	1.9	4%
Share of loss in joint venture	(0.1)	0.1	**-**	**-**	-	-
Group underlying operating profit	1.4	1.2	**2.6**	**5%**	1.9	4%

1. The business growth projects in Ongoing Operations are UK (£0.2 million), CPPI (£0.8 million) and Bangladesh (£0.1 million).
2. Underlying operating profit at constant currency adjusted for Rest of World investment in business growth projects of £0.2 million, comprising £0.1 million CPPI and £0.1 million UK.

Performance summary

As expected, revenue from Restricted Operations of £11.3 million (2017: 14.1 million) has reduced by 21%. Renewal rates that we generate across these mature books remain strong at 82%. This is pleasing and demonstrates the value customers place in our products and the excellent customer service we continue to provide. Underlying operating profit has increased period on period to £5.5 million (2017: £4.4 million) due to efficiencies achieved in the operational cost base and significantly lower allocation of central costs (H1 2018: £2.1 million, H1 2017: £3.7 million) to this segment as it becomes a smaller proportion of Group revenue generation.

Revenue from Ongoing Operations of £40.0 million (2017: £31.1 million restated) has increased by 36% period on period. This growth results from strong new customer acquisitions in India (60% revenue growth) and Turkey (43% revenue growth) both of which have been negatively impacted by exchange rate movements. Revenue performance in our other markets is broadly stable period on period with the exception of Spain which has increased its new revenue generation but not at a rate to offset the deterioration in the renewal book.

Underlying operating performance in Ongoing Operations has reduced 138% to a loss of £0.5 million (H1 2017: £1.5 million profit restated). The reduction results from increased investment in business growth projects (H1 2018: £1.1 million; H1 2017: £0.2 million) and a higher allocation to this segment of central costs (H1 2018: £2.0 million, H1 2017: £1.6 million) as each country becomes a larger proportion of Group revenue. Whilst new business opportunities are targeted in this market, renewal book decline has led to a reduction in operating profit performance in Spain and Germany. India profit growth has been partly reduced by additional central cost allocation and a negative exchange rate movement period on period. The underlying operating profit margin has reduced to 3% (2017: 4% restated) as a result of these factors and the effect of sales costs on margin on our growing Asset Care and FoneSafe portfolios in India. Ongoing Operations are profitable when excluding the investment in business growth projects, the costs for which are included in the Rest of World.

The Central Functions cost base has reduced to £3.5 million (2017: £4.1 million). Central costs have reduced by £0.6 million reflecting the expected reduction in costs following the organisational restructure and sale of the York building in 2017. The central cost base is expected to continue to show improvement against the prior year through the remainder of the year as the full benefit of the 2017 cost saving measures take effect. Cost control remains a key priority for the Group.

Operational review

We are focusing our resources on developing and growing the Ongoing Operations within the Group. The first half has seen a continuation of the good work that is in place to grow each of the markets in this segment.

India has continued to grow rapidly underpinned by significant growth in our Asset Care and FoneSafe products which are currently sold through Bajaj Finance Limited. We have extended this relationship for a further three years into late 2021 and have also agreed to launch further new products through this partnership. In addition, our Card Protection book continues to grow across a wide base of partners which is creating a strong, sustainable renewal book.

The Turkish business has grown substantially during the first half albeit reported results have been negatively impacted by the exchange rate which has weakened by 32% compared to the prior year. The Turkish business success is based on a multiple partner, multiple product and multiple channel model. We have started a pilot campaign with a partner in the telecoms market which is an important diversification for the business and will offer further opportunities. To further enhance progress we have taken new office space which has increased our in-house call centre capability by 25% and in Q3 we have implemented a new dialler platform for our outbound channel to further increase efficiencies.

China remains a strategically important market to the Group which is reflected in the investment made in the last 12 months in a new standalone IT system which improves our operational platform and digital capability. At the same time we are expanding the senior leadership team. As a result the business has a significantly improved infrastructure to perform in what is a unique marketplace. We have formed an exciting partnership with Jingdong, a leading e-commerce company, where we continue to work with them to identify the best propositions for their customer base.

We have developed the EU hub which is led by Madrid. During the period, Spain, Italy and Portugal operated through this hub which provides a more efficient operating model to drive market development whilst importantly controlling the cost base. To formalise this position country leadership roles have been removed in Italy and Portugal and have in part been replaced by roles with a purely commercial focus. Additionally, during the second half as further development in this operating model we have commenced restructuring activities in our EU markets. The German office will close and the customer servicing of the existing book transferred to Madrid. In Italy we will maintain a commercial presence as we believe there are good opportunities, however we will make alternative arrangements for the servicing of the Italian renewal book. The actions in both Germany and Italy will lead to a significant reduction in headcount. In Spain there will also be a reduction in back office headcount. These measures will not only create a more efficient EU operation but will lead to a significant reduction in the Group's cost base, albeit after the impact of one-off restructuring costs in 2018.

Market expansion and development

In the first half we have continued our plans to enter new markets where we believe we can harness distribution channels to create strong regional hubs.

The operational foundation has been established in Bangladesh and we expect to realise our first Card Protection sales in October through a major business partner in the banking sector. Our target is to agree contracts with another two business partners before the end of 2018. This is a market that we believe has huge potential for our product set and will form part of our Indian hub.

Our relaunch into the UK market is well progressed with new product development and business partner discussions at an advanced stage. The operational infrastructure is in place led by a senior team with extensive experience in the UK insurance market and we expect new sales to commence in the second half of the year. The UK relaunch is operated completely separately from the legacy UK business through our new regulated insurance intermediary, Blink Innovation (UK) Limited, with a different independent management team and product suite. To accelerate the route into the UK market we have completed the acquisition of Valeos (2013) Limited, a key cover provider in the UK. This acquisition provides an existing customer base and the capability to deliver a product to market which the UK team will enhance with further innovative solutions.

We continue to investigate other opportunities to expand our geographical presence. This activity includes market analysis to appraise the attractiveness to CPP of target markets with a particular focus on markets that have a strong affinity to our existing operations and have large accessible populations for our product set.

Investments

The Group continues to consider acquisitions and partnerships that enhance our operational capability or product propositions.

As announced in March 2018, the Group completed a minority interest of 20% in KYND Limited (KYND) which further strengthens our innovative product catalogue and digital capabilities. Since investment, KYND has continued to develop its cyber risk management technology for businesses and will be in a position to launch its offering in Q3 2018. The KYND proposition will form an important component of our product set across many of our markets.

In September 2018 we have also agreed to take a majority holding in Globiva, a business process management (BPM) company based in Delhi, India. The agreement is for a 61% holding at a total equity investment value of £2.0 million which is payable over the next nine months. Globiva will initially support the customer contact requirements of our growing Indian business as well as focusing on BPM support for third parties. This investment forms a key part of our margin improvement activities in India as well as providing the capability to make further efficiencies and cost savings across our other operations.

Technology and innovation

The Group recognises that it must be responsive to changing political and regulatory landscapes. It is becoming increasingly clear that where customer data is housed is a focus area in many of the markets in which we operate. As a result the Group, in line with its operating model, intends to decentralise its IT infrastructure creating a flexible, nimble system that will also satisfy local regulatory and data residency requirements where applicable. We have already invested in a standalone system in China which is now operational and will follow this path in our other markets with India being the priority.

CPP Innovation Limited (CPPI) (formerly Blink Innovation Limited) is focused on development and deployment of its innovative suite of travel products and to act as a product innovation provider for many of our markets. We believe this provides the greatest opportunity to harness their innovative digitally-led entrepreneurial skills. Good progress has been made with the travel products with many business partner prospects being developed.

Financial position

The Group's net asset position has increased to £15.8 million (31 December 2017: £15.2 million restated). Our borrowing arrangements are a £5.0 million revolving credit facility (RCF) which is available until February 2021. The RCF has been extended in the period on improved commercial terms with the margin decreasing to 2.5% and certain other conditions being reduced or removed. The Group is not currently drawn against the RCF.

The Group's net funds position has reduced in the period to £29.5 million (31 December 2017: £31.5 million). This reduction reflects the cost of investing in business growth projects, such as KYND and CPPI, and capital expenditure associated with IT development work around the Group and investment in new office space in a number of our overseas markets. The office space investment in Turkey, Spain and China demonstrates a further commitment to our overseas markets and a cultural drive to align an international standard in office quality and brand. The Group's cash position of £29.4 million includes £1.6 million required to be held in the UK for regulatory purposes, as a result the Group's available cash balance is £27.8 million. The location of some of our cash balances makes repatriation for Group wide use complicated although these cash balances are readily available for use in the jurisdiction in which they are located.

Summary

The Group is delivering on its strategy with business partner relationships being strengthened in the majority of our markets. These valued, deeper business partner relationships are at varying stages of maturity around the Group with many expected to benefit our financial position in future periods. Our operating model and supporting infrastructure continue to be embedded which is creating a more nimble, flexible business which can react to market or partner needs and opportunities.

Over the course of the last two years the Group has made a number of operational and strategic decisions that continue to position it to be in the best place possible to harness the opportunities that exist. We have a strong cash position that is available to grow the business organically or through product investments and acquisitions. In addition the planned restructuring activities in the second half of the year will provide further operational streamlining and cost efficiencies that will improve the margin going forward and further targeted investment in our Ongoing Operations.

Impact of IFRS 15

The adoption of IFRS 15 has had a material impact on the Group's revenue and cost recognition (refer to note 11), with the greatest change being in our main growth market of India. The change has led to an increase in revenue recognition on inception of a policy but also an increase in immediate cost recognition. The overall lifetime profitability of a contract does not change however the profit profile is impacted with less profit recognised on inception and greater profit recognised through the life of the policy.

Outlook and current trading

The Group's revenue expectations for 2018 remain unchanged with strong revenue performance in India fuelling the expected growth. Into 2019 we expect the revenue growth trend to increase further with continued expansion in India being supported by improvements in our other key strategic markets, such as China and the UK, where business partner relationships are building and new product development is progressing at pace.

As a result of the IFRS 15 impact on the profit profile in India the Group's underlying operating profit on an IFRS 15 basis for 2018 is expected to be materially lower than the restated 2017. On the previous GAAP basis underlying operating is expected to be in line with 2017.

In 2019 we expect underlying operating profit to be higher than 2018 as planned margin improvements in India, profitable progress in other key markets and the impact of the EU restructuring activities take effect. Turkey is a key market and the current economic uncertainty and weakening of the exchange rate increases risk in the Group's outlook, particularly into 2019 where further Turkish growth is anticipated.

Jason Walsh

Chief Executive Officer

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Note	**6 months ended 30 June 2018 £'000 (Unaudited)**	6 months ended 30 June 2017 Restated* £'000 (Unaudited)	Year ended 31 December 2017 Restated* £'000 (Audited)
Revenue	3	**51,264**	45,261	97,048
Cost of sales		**(31,020)**	(24,513)	(55,408)
Gross profit		**20,244**	20,748	41,640
Administrative expenses		**(18,984)**	(18,382)	(38,290)
Share of loss of joint venture	8	**(66)**	-	-
Operating profit		**1,194**	2,366	3,350
Analysed as:				
Underlying operating profit	3	**1,415**	1,798	3,711
Exceptional items		**(153)**	766	(67)
MSP charges	10	**(68)**	(198)	(294)
Investment revenues		**252**	84	191
Finance costs		**(112)**	(160)	(313)
Profit before taxation		**1,334**	2,290	3,228
Taxation	4	**(902)**	18	1,174
Profit for the period attributable to equity holders of the Company		**432**	2,308	4,402

Earnings per share

	Note	**Pence**	Pence	Pence
Basic earnings per share	6	**0.05**	0.27	0.51
Diluted earnings per share		**0.05**	0.26	0.50

* Results for the six months ended 30 June 2017 and the year ended 31 December 2017 have been restated to reflect the adoption of IFRS 15. See note 11.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 30 June 2018 £'000 (Unaudited)	6 months ended 30 June 2017 Restated* £'000 (Unaudited)	Year ended 31 December 2017 Restated* £'000 (Audited)
Profit for the period	**432**	2,308	4,402
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**(173)**	(125)	(165)
Other comprehensive expense for the period net of taxation*	**(173)**	(125)	(165)
Total comprehensive income for the period attributable to equity holders of the Company	**259**	2,183	4,237

* Results for the six months ended 30 June 2017 and the year ended 31 December 2017 have been restated to reflect the adoption of IFRS 15. See note 11.

CONSOLIDATED BALANCE SHEET

	Note	30 June 2018 £'000 (Unaudited)	30 June 2017 Restated* £'000 (Unaudited)	31 December 2017 Restated* £'000 (Audited)
Non-current assets				
Goodwill	7	**880**	776	776
Other intangible assets	7	**1,507**	2,158	882
Property, plant and equipment	7	**1,590**	879	1,281
Investment in joint venture	8	**438**	-	-
Deferred tax asset		**1,471**	394	1,554
Other assets		**780**	380	574
		6,666	4,587	5,067
Current assets				
Insurance assets		**30**	48	30
Inventories		**68**	29	65
Trade and other receivables		**12,523**	13,661	12,420
Cash and cash equivalents		**29,438**	32,199	31,465
		42,059	45,937	43,980
Total assets		**48,725**	50,524	49,047
Current liabilities				
Insurance liabilities		**(639)**	(735)	(706)
Income tax liabilities		**(1,437)**	(1,245)	(854)
Trade and other payables		**(20,364)**	(24,903)	(22,426)
Borrowings		**-**	(2,457)	6
Provisions		**(369)**	(201)	(490)
Deferred revenue	11	**(8,370)**	(7,006)	(7,939)
		(31,179)	(36,547)	(32,409)
Net current assets		**10,880**	9,390	11,571
Non-current liabilities				
Borrowings		**116**	-	-
Deferred revenue	11	**(1,846)**	(854)	(1,460)
		(1,730)	(854)	(1,460)
Total liabilities		**(32,909)**	(37,401)	(33,869)
Net assets		**15,816**	13,123	15,178
Equity				
Share capital	9	**23,995**	23,975	23,978
Share premium account		**45,225**	45,225	45,225
Merger reserve		**(100,399)**	(100,399)	(100,399)
Translation reserve		**591**	804	764
ESOP reserve		**15,476**	15,126	15,114
Retained earnings		**30,928**	28,392	30,496
Total equity attributable to equity holders of the Company		**15,816**	13,123	15,178

* Balances as at 30 June 2017 and as at 31 December 2017 have been restated to reflect the adoption of IFRS 15. See note 11.

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
6 months ended 30 June 2018 (Unaudited)								
At 1 January 2018		**23,978**	**45,225**	**(100,399)**	**764**	**15,114**	**30,496**	**15,178**
Total comprehensive income		**-**	**-**	**-**	**(173)**	**-**	**432**	**259**
Equity settled share-based payment charge		**-**	**-**	**-**	**-**	**362**	**-**	**362**
Exercise of share options		**17**	**-**	**-**	**-**	**-**	**-**	**17**
At 30 June 2018		**23,995**	**45,225**	**(100,399)**	**591**	**15,476**	**30,928**	**15,816**
6 months ended 30 June 2017 Restated* (Unaudited)								
At 1 January 2017		23,975	45,225	(100,399)	929	14,516	25,902	10,148
Change in accounting policy – adoption of IFRS 15	11	-	-	-	-	-	365	365
At 1 January 2017 (Restated*)		23,975	45,225	(100,399)	929	14,516	26,267	10,513
Total comprehensive income		-	-	-	(125)	-	2,308	2,183
Equity settled share-based payment charge		-	-	-	-	401	-	401
Movement in EBT shares		-	-	-	-	209	-	209
Exercise of share options		-	-	-	-	-	(183)	(183)
At 30 June 2017 (Restated)		23,975	45,225	(100,399)	804	15,126	28,392	13,123
Year ended 31 December 2017 Restated* (Audited)								
At 1 January 2017		23,975	45,225	(100,399)	929	14,516	25,902	10,148
Change of accounting policy – adoption of IFRS 15	11	-	-	-	-	-	365	365
At 1 January 2017 (Restated*)		23,975	45,225	(100,399)	929	14,516	26,267	10,513
Total comprehensive income		-	-	-	(165)	-	4,402	4,237
Equity settled share-based payment charge		-	-	-	-	271	-	271
Deferred tax on share-based payment charge		-	-	-	-	-	113	113
Movement in EBT shares		-	-	-	-	327	-	327
Exercise of share options		3	-	-	-	-	(286)	(283)
At 31 December 2017		23,978	45,225	(100,399)	764	15,114	30,496	15,178

* Opening retained earnings for each of the periods provided and total comprehensive income for the six months ended 30 June 2017 and the year ended 31 December 2017 have been restated to reflect the adoption of IFRS 15. See note 11.

CONSOLIDATED CASH FLOW STATEMENT

	Note	**6 months ended 30 June 2018 £'000 (Unaudited)**	6 months ended 30 June 2017 £'000 (Unaudited)	Year ended 31 December 2017 £'000 (Audited)
Net cash (used in)/from operating activities	12	**(160)**	(1,409)	1,178
Investing activities				
Interest received		**252**	84	191
Proceeds from sale of freehold property		**-**	5,325	5,325
Purchases of property, plant and equipment		**(582)**	(236)	(847)
Purchases of intangible assets		**(748)**	(52)	(315)
Acquisition of a subsidiary, net of cash acquired		**(126)**	(862)	(862)
Investment in joint venture	8	**(480)**	-	-
Net cash (used in)/from investing activities		**(1,684)**	4,259	3,492
Financing activities				
Proceeds from bank loans		**-**	2,500	-
Repayment of the Second Commission Deferral Agreement		**-**	(1,304)	(1,304)
Costs of refinancing the bank facility		**(83)**	-	-
Interest paid		**(89)**	(210)	(304)
Issue of ordinary share capital and associated costs	9	**17**	26	44
Net cash (used in)/from financing activities		**(155)**	1,012	(1,564)
Net (decrease)/increase in cash and cash equivalents		**(1,999)**	3,862	3,106
Effect of foreign exchange rate changes		**(28)**	87	109
Cash and cash equivalents at start of period		**31,465**	28,250	28,250
Cash and cash equivalents at end of period		**29,438**	32,199	31,465

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 General information

The condensed consolidated interim financial statements for the six months ended 30 June 2018 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 2017 were approved by the Board on 14 March 2018 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. The 31 December 2017 accounts have since been restated for the impact of IFRS 15 *Revenue from contracts with customers*.

2 Accounting policies

Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2018 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 2017, 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 26 September 2018.

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 2018:

- IFRS 15 *Revenue from contracts with customers*
- IFRS 9 *Financial Instruments*
- IFRS 2 (amendments) *Share-based payment transactions*
- *IFRIC 22 Foreign Currency Transactions and Advance Consideration*

Following the adoption of IFRS 15 the Group has changed its accounting policies and made certain retrospective adjustments to comparative information, which are disclosed in note 11. All other new or amended standards and interpretations applied for the first time in the period commencing 1 January 2018 have not impacted the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

The Group has revised its segmental reporting from 1 January 2018. In accordance with IFRS 8 the operating segments have been changed to reflect the way in which the Group is now managed and how resources are allocated. The Group's operating segments are identified as 'Restricted Operations'; 'Ongoing Operations'; and 'Central Functions'. These segments replace the three region basis that was previously in place. The prior period segmental information has been represented to reflect the change. Further detail is included in note 3.

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)

Joint arrangements

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

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

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

Revenue recognition

The adoption of IFRS 15 *Revenue from contracts with customers* with effect from 1 January 2018 has led to amendments in the Group's revenue recognition policy. The revised sections of the revenue recognition policy are below.

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

Revenue is recognised either immediately on inception of a policy or over the duration of the policy where there are ongoing obligations to fulfil with a customer. This allocation of revenue is determined by each product and its features and is calculated on a cost plus margin basis. Revenue recognised on inception relates to the Group's role as intermediary in the policy sale and immediate delivery of certain features. Deferred revenue recognised over the life of the policy relates to the administration process and ongoing services where obligations exist to provide future services, such as claims handling. The proportion of recognition on inception and over a period of time varies across the Group's suite of products dependant on the services performed and product features included. Provisions for cancellations are made at the time revenue is recorded and are deducted from revenue.

For certain other of the Group's assistance products, there are no introduction fees. In these arrangements, revenue is comprised of the subscriptions received from members, net of underwriting fees and exclusive of any sales taxes. These subscriptions are recognised over the duration of the service provided.

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

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

3 Segmental analysis

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors to allocate resources to the segments and to assess their performance. With effect from 1 January 2018 the Group's operating segments have been revised to:

- Restricted Operations: historic renewal books of our UK regulated entities; CPPL, including its overseas branches; and HIL.
- Ongoing Operations; India, China, Turkey, Spain, Germany, Portugal, Italy, Mexico, Malaysia, UK, Bangladesh, and CPP Innovation. We continue to invest and drive new business opportunities in these markets.
- Central Functions: central cost base required to provide expertise and operate a listed Group.

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

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

Six months ended 30 June 2018 (Unaudited)	**Restricted Operations £'000**	**Ongoing Operations £'000**	**Central Functions £'000**	**Total £'000**
Revenue - external sales	**11,259**	**40,005**	**-**	**51,264**
Segmental underlying operating profit/(loss) before joint venture	**5,506**	**(526)**	**(3,499)**	**1,481**
Share of loss of joint venture				**(66)**
Underlying operating profit				**1,415**
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**

3 Segmental analysis (continued)

Six months ended 30 June 2017 Restated* (Unaudited)	Restricted Operations £'000	Ongoing Operations £'000	Central Functions £'000	Total £'000
Revenue - external sales	14,126	31,135	-	45,261
Segmental underlying operating profit/(loss)	4,446	1,467	(4,115)	1,798
Exceptional items				766
MSP charges				(198)
Operating profit				2,366
Investment revenues				84
Finance costs				(160)
Profit before taxation				2,290
Taxation				18
Profit for the period				2,308

* Balances restated for impact of IFRS 15. See note 11.

Year ended 31 December 2017 Restated* (Audited)	Restricted Operations £'000	Ongoing Operations £'000	Central Functions £'000	Total £'000
Revenue - external sales	27,658	69,390	-	97,048
Segmental underlying operating profit/(loss)	9,747	1,098	(7,134)	3,711
Exceptional items				(67)
MSP charges				(294)
Operating profit				3,350
Investment revenues				191
Finance costs				(313)
Profit before taxation				3,228
Taxation				1,174
Profit for the year				4,402

* Balances restated for impact of IFRS 15. See note 11.

3 Segmental analysis (continued)

Segmental assets

	30 June 2018 **£'000** **(Unaudited)**	30 June 2017 Restated* £'000 (Unaudited)	31 December 2017 Restated* £'000 (Audited)
Restricted Operations	**18,886**	30,015	22,758
Ongoing Operations	**22,717**	18,466	21,010
Central Functions	**4,333**	873	2,949
Total segment assets	**45,936**	49,354	46,717
Unallocated assets	**2,789**	1,170	2,330
Consolidated total assets	**48,725**	50,524	49,047

* Balances restated for impact of IFRS 15. See note 11.

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 2018 **£'000** **(Unaudited)**	6 months ended 30 June 2017 £'000 (Unaudited)	Year ended 31 December 2017 £'000 (Audited)	**30 June 2018** **£'000** **(Unaudited)**	30 June 2017 £'000 (Unaudited)	31 December 2017 £'000 (Audited)
Restricted Operations	**-**	-	-	**3**	79	31
Ongoing Operations	**389**	138	401	**434**	132	271
Central Functions	**363**	-	-	**151**	25	545
Total assets	**752**	138	401	**588**	236	847

3 Segmental analysis (continued)

Revenue from major products

	6 months ended 30 June 2018 £'000 (Unaudited)	6 months ended 30 June 2017 Restated* £'000 (Unaudited)	Year ended 31 December 2017 Restated* £'000 (Audited)
Retail assistance policies	**49,509**	43,303	93,274
Retail insurance policies	**168**	563	944
Wholesale policies	**1,375**	1,143	2,350
Non-policy revenue	**212**	252	480
Consolidated revenue	**51,264**	45,261	97,048

* Balances restated for impact of IFRS 15. See note 11.

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.

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 are detailed below.

	External revenues			**Non-current assets**		
	6 months ended 30 June 2018 £'000 (Unaudited)	6 months ended 30 June 2017 Restated* £'000 (Unaudited)	Year ended 31 December 2017 Restated* £'000 (Audited)	**30 June 2018 £'000 (Unaudited)**	30 June 2017 Restated* £'000 (Unaudited)	31 December 2017 Restated* £'000 (Audited)
India	**28,267**	19,170	45,645	**855**	468	656
UK	**9,223**	11,363	21,977	**2,483**	3,308	2,140
Spain	**5,452**	5,830	11,294	**282**	146	151
Other	**8,322**	8,898	18,132	**1,137**	271	566
Total*	**51,264**	45,261	97,048	**4,757**	4,193	3,513

***** Balances restated for the impact of IFRS 15. See note 11.

3 Segmental analysis (continued)

Information about major customers

Revenue from customers of one business partner in our Ongoing Operations segment represented approximately £20,577,000 (H1 2017 restated: £12,847,000; year ended 31 December 2017 restated: £31,994,000) of the Group's total revenue.

4 Taxation

The effective tax rate at the half year is 68% (H1 2017 restated: negative 0.8%; year ended 31 December 2017 restated: negative 36.4%). The effective rate is higher than the standard rate of corporation tax in the UK due to not recognising deferred tax assets in relation to overseas loss making entities where future profitability is not certain. The 2018 full year rate may vary from this as the territory mix of future 2018 profits or losses may vary. The effective rate is higher than the 2017 comparatives due to the prior period tax credits including certain refunds, adjustments in respect of prior years and recognition of deferred tax assets.

5 Dividends

The Directors have not proposed an interim dividend for 2018. Neither an interim or final dividend was proposed in 2017.

6 Earnings per share

Basic and diluted earnings per share have been calculated in accordance with IAS 33 *Earnings per Share*. Underlying earnings per share have also been presented in order to give a better understanding of the performance of the business.

Six months ended 30 June 2018 (Unaudited)	**Total**
Earnings	**£'000**
Profit 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**

6 Earnings per share (continued)

Six months ended 30 June 2017 Restated* (Unaudited)	Total
Earnings	£'000
Earnings for the purposes of basic and diluted earnings per share	2,308
Exceptional items (net of tax)	(766)
MSP charges (net of tax)	198
Earnings for the purposes of underlying basic and diluted earnings per share	1,740

Number of shares	Number (thousands)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	856,481
Effect of dilutive potential ordinary shares: share options	18,709
Weighted average number of ordinary shares for the purposes of diluted earnings per share	875,190

Earnings per share	Total Pence
Basic and diluted earnings per share:	
Basic	0.27
Diluted	0.26
Basic and diluted underlying earnings per shares:	
Basic	0.20
Diluted	0.20

* Earnings per share for the six months ended 30 June 2017 are restated to include the impact of IFRS 15. See note 11.

Year ended 31 December 2017 Restated* (Audited)	Total
Earnings	£'000
Earnings for the purposes of basic and diluted earnings per share*	4,402
Exceptional items (net of tax)	(43)
MSP charges (net of tax)	209
Earnings for the purposes of underlying basic and diluted earnings per share	4,568

Number of shares	Number (thousands)
Weighted average number of ordinary shares for the purposes of basic earnings per share	856,502
Effect of dilutive potential ordinary shares: share options	27,188
Weighted average number of ordinary shares for the purposes of diluted earnings per share	883,690

6 **Earnings per share** (continued)

Earnings per share	Total Pence
Basic and diluted earnings per share:	
Basic	0.51
Diluted	0.50
Basic and diluted underlying earnings per shares:	
Basic	0.53
Diluted	0.52

* Earnings per share for the year ended 31 December 2017 are restated to include the impact of IFRS 15. See note 11.

7 Tangible and intangible assets

	Goodwill	Other intangible assets	Property, plant and equipment	Total
	£'000	£'000	£'000	£'000
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**
Six months ended 30 June 2017 (Unaudited)				
Carrying amount at 1 January 2017	-	2,136	5,316	7,452
Additions	776	138	236	1,150
Disposals	-	-	(5,040)	(5,040)
Amortisation/depreciation	-	(116)	(232)	(348)
Impairment reversal	-	-	601	601
Exchange adjustments	-	-	(2)	(2)
Carrying amount at 30 June 2017	776	2,158	879	3,813
Year ended 31 December 2017 (Audited)				
Carrying amount at 1 January 2017	-	2,136	5,316	7,452
Additions	776	401	847	2,024
Disposals	-	-	(4,945)	(4,945)
Amortisation/depreciation	-	(332)	(418)	(750)
(Impairment)/impairment reversal	-	(1,320)	506	(814)
Exchange adjustments	-	(3)	(25)	(28)
Carrying amount at 31 December 2017	776	882	1,281	2,939

The goodwill carrying amount at 30 June 2018 of £880,000 includes £776,000 relating to CPP Innovation Limited (formerly Blink Innovation Limited).

On 8 June 2018, the Group completed the 100% acquisition of the issued share capital of Valeos (2013) Limited (Valeos) for total consideration of £89,000. The goodwill addition of £104,000 represents the difference between the acquisition cost and the fair value of net identifiable liabilities acquired of £15,000.Goodwill reflects the discounted future cash flows of Valeos' product offering which includes expected synergies from product enhancement, expanded distribution channels and available operational efficiencies.

Valeos provides key cover products and is incorporated in England and Wales.

8 Investment in joint venture

On 6 March 2018, the Group purchased 20% of the issued share capital of KYND for a consideration of £480,000. The arrangement has been recognised as an investment in a joint venture due to voting rights within the shareholders' agreement, incorporation documents and the composition of the Board of Directors. KYND provides cyber security consultancy services and is incorporated in England and Wales.

The joint venture arrangement is being accounted for under the equity method. On acquisition the carrying value of the investment recognised was £480,000. Costs associated with acquisition of £24,000 were incurred and have been capitalised to the value of the investment.

In the period since acquisition KYND has incurred losses of £330,000. The Group's 20% share of these losses is £66,000 and has been recognised in the consolidated income statement. The carrying value of the investment has been adjusted for these losses resulting in a carrying amount of £438,000 at 30 June 2018. The losses are not deemed an indicator of impairment as KYND is in start-up phase.

Movements in the Group's share in its joint venture are as follows:

	2018 **£'000** **(Unaudited)**
Carrying amount at 1 January	**-**
Acquisition of share capital	**480**
Costs associated with acquisition	**24**
Share of losses for the period	**(66)**
Carrying amount at 30 June	**438**

On 21 September 2018, following the satisfaction of certain conditions the second tranche of £720,000 consideration was paid to KYND. This payment formed part of the original investment agreement. The Group's overall investment in KYND therefore totals £1,200,000 for 20% allotment of their issued share capital. In accordance with IFRS 11 and IAS 28 this investment will continue to be accounted for as a joint venture.

9 Share capital

Share capital at 30 June 2018 amounted to £23,995,000 (H1 2017: £23,975,000; 31 December 2017: £23,978,000). To satisfy share option exercises in the six month period to 30 June 2018 the Company has issued 1,713,562 ordinary shares for a total consideration of £17,000.

10 Share-based payment

Share-based payment charges for the six month period to 30 June 2018 comprise Long Term Incentive Plan 2016 (2016 LTIP) charges of £294,000 (H1 2017: £213,000; 31 December 2017: £4,000) and MSP charges of £68,000 (H1 2017: £188,000; 31 December 2017: £277,000). These costs are disclosed within administrative expenses, although the MSP share-based payment charge forms part of MSP charges not included in underlying operating profit.

There have been 16,071,000 options granted in the six month period to 30 June 2018 as part of the 2016 LTIP (30 June 2017: 14,924,000 options granted; 31 December 2017: 16,197,000 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 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**
Six months ended 30 June 2017 (Unaudited)		
2016 LTIP		
Outstanding at 1 January 2017	15,081	-
Granted during the period	14,924	-
Forfeited during the period	(5,485)	-
Outstanding at 30 June 2017	24,520	-
MSP		
Outstanding at 1 January 2017	17,665	0.01
Forfeited during the period	(2,611)	0.01
Exercised during the period	(2,590)	0.01
Outstanding at 30 June 2017	12,464	0.01
Exercisable at 30 June 2017	2,340	0.01

10 Share-based payment (continued)

	Number of share options (thousands)	Weighted average exercise price (£)
Year ended 31 December 2017 (Audited)		
2016 LTIP		
Outstanding at 1 January 2017	15,081	-
Granted during the year	16,197	-
Forfeited during the year	(8,727)	-
Outstanding at 31 December 2017	22,551	-
MSP		
Outstanding at 1 January 2017	17,665	0.01
Forfeited during the period	(2,611)	0.01
Exercised during the period	(4,385)	0.01
Outstanding at 31 December 2017	10,669	0.01
Exercisable at 31 December 2017	2,431	0.01

Nil cost options and conditional shares granted under the 2016 LTIP normally vest after three years, lapse if not exercised within ten years of grant and will lapse if option holders cease to be employed by the Group. Vesting of 2016 LTIP options and shares are also subject to achievement of certain performance criteria including revenue and profit-based targets and either a share price or non-financial events measure over the vesting period.

The options outstanding at 30 June 2018 had a weighted average remaining contractual life of two years (30 June 2017: two years; 31 December 2017: two years) in the 2016 LTIP and no years (30 June 2017: one years; 31 December 2017: 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 2018
Weighted average share price	£0.1125
Weighted average exercise price	-
Expected volatility	n/a
Expected life	3 years
Risk-free rate	n/a
Dividend yield	0%

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

11 Change in accounting policy

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

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

Impact on retained earnings at 1 January 2017

	£'000
Retained earnings – before IFRS 15 restatement	25,902
IFRS 15 adjustments:	
Reversal of deferred revenue where performance obligations are complete on inception	5,968
Reversal of insurance asset	(2,728)
Reversal of commission asset	(2,875)
Retained earnings – restated for adoption of IFRS 15	**26,267**

11 Change in accounting policy (continued)

Balance sheet (extract)	30 June 2017 as originally presented	IFRS 15 adjustment	30 June 2017 Restated	31 December 2017 as originally presented	IFRS 15 adjustment	31 December 2017 Restated
	£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets						
Other assets	-	380	380	-	574	574
Total non-current assets	**4,207**	**380**	**4,587**	**4,493**	**574**	**5,067**
Current assets						
Trade and other receivables	23,325	(9,664)	13,661	24,116	(11,696)	12,420
Total current assets	**55,601**	**(9,664)**	**45,937**	**55,676**	**(11,696)**	**43,980**
Total assets	**59,808**	**(9,284)**	**50,524**	**60,169**	**(11,122)**	**49,047**
Current liabilities						
Trade and other payables	(24,903)	-	(24,903)	(22,427)	1	(22,426)
Deferred revenue	(17,185)	10,179	(7,006)	(20,681)	12,742	(7,939)
Current liabilities	**(46,726)**	**10,179**	**(36,547)**	**(45,152)**	**12,743**	**(32,409)**
Net current assets	**8,875**	**515**	**9,390**	**10,524**	**1,047**	**11,571**
Non-current liabilities						
Deferred revenue	-	(854)	(854)	-	(1,460)	(1,460)
Non-current liabilities	-	**(854)**	**(854)**	**-**	**(1,460)**	**(1,460)**
Total liabilities	**(46,726)**	**9,325**	**(37,401)**	**(45,152)**	**11,283**	**(33,869)**
Net assets	**13,082**	**41**	**13,123**	**15,017**	**161**	**15,178**
Translation reserve	813	(9)	804	771	(7)	764
Retained earnings	28,342	50	28,392	30,328	168	30,496
Total equity attributable to equity holders of the Company	**13,082**	**41**	**13,123**	**15,017**	**161**	**15,178**

Consolidated income statement (extract)	6 months ended 30 June 2017 as originally presented	IFRS 15 adjustment	6 months ended 30 June 2017 Restated	Year ended 31 December 2017 as originally presented	IFRS 15 adjustment	Year ended 31 December 2017 Restated
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	41,822	3,439	45,261	91,435	5,613	97,048
Cost of sales	(20,759)	(3,754)	(24,513)	(49,598)	(5,810)	(55,408)
Gross profit	**21,063**	**(315)**	**20,748**	**41,837**	**(197)**	**41,640**
Operating profit	2,681	(315)	2,366	3,547	(197)	3,350
Profit before taxation	**2,605**	**(315)**	**2,290**	**3,425**	**(197)**	**3,228**
Profit for the period attributable to equity holders of the Company	**2,623**	**(315)**	**2,308**	**4,599**	**(197)**	**4,402**

11 Change in accounting policy (continued)

	6 months ended 30 June 2017 as originally presented	IFRS 15 adjustment	6 months ended 30 June 2017 Restated	Year ended 31 December 2017 as originally presented	IFRS 15 adjustment	Year ended 31 December 2017 Restated
	Pence	Pence	Pence	Pence	Pence	Pence
Basic earnings per share:						
Continuing operations	**0.31**	**(0.04)**	**0.27**	**0.54**	**(0.03)**	**0.51**
Diluted earnings per share:						
Continuing operations	**0.30**	**(0.04)**	**0.26**	**0.52**	**(0.02)**	**0.50**

Consolidated statement of comprehensive income	6 months ended June 2017 as originally presented	IFRS 15 adjustment	6 months ended June 2017 Restated	Year ended 31 December 2017 as originally presented	IFRS 15 adjustment	Year ended 31 December 2017 Restated
	£'000	£'000	£'000	£'000	£'000	£'000
Items that may be reclassified subsequently to profit or loss						
Exchange differences on translation of foreign operations	(116)	(9)	(125)	(158)	(7)	(165)
Other comprehensive expense for the year net of taxation	(116)	(9)	(125)	(158)	(7)	(165)
Total comprehensive income for the period attributable to equity holders of the Company	**2,507**	**(324)**	**2,183**	**4,441**	**(204)**	**4,237**

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

As a result, the levels of deferred revenue have decreased as a higher level of revenue is recognised on inception. This is due to a number of performance obligations being considered satisfied on inception and now receiving a higher allocation of revenue. The impact is a reduction of deferred revenue of £9,325,000 at 30 June 2017, £11,282,000 at 31 December 2017 and £5,968,000 at 1 January 2017. As a number of policies are up to three years in duration, an element of deferred revenue is now reclassified into non-current liabilities. This amount is £854,000 at 30 June 2017 and £1,460,000 at 31 December 2017.

In India the insurance cover in its products is provided through a group insurance policy. CPP pays the insurance premium and acts as a facilitator between the insurer and the customer. These insurance costs were previously recognised on a straight line basis over the life of the policy, however under IFRS 15 the performance obligation in this respect is considered complete on inception and therefore the cost is recognised in full immediately. As a result, any previously deferred insurance costs have been expensed in the period they were incurred. Therefore adjustments to reduce insurance assets by £5,099,000 at 30 June 2017, £7,393,000 at 31 December 2017 and £2,728,000 at 1 January 2017 have been recognised.

11 Change in accounting policy (continued)

The approach to commission costs under IFRS 15 is consistent with the previous treatment. Commission costs are recognised in line with the pattern of recognition of the associated revenue. However, with IFRS 15 leading to an increase in revenue recognition on inception this has resulted in an increase in commission cost recognised immediately. The adjustment to deferred commission is therefore £4,185,000 at 30 June 2017, £3,729,000 at 31 December 2017 and £2,875,000 at 1 January 2017. Additionally, an amount of commission costs deferred is deemed to be realised in a period greater than one year in line with the deferred revenue associated with our policies that are up to three years in duration. Therefore an amount of commission costs deferred has been reclassified into non-current assets as other assets. This amount is £380,000 at 30 June 2017 and £574,000 at 31 December 2017.

As the adoption of IFRS 15 had a significant impact in our overseas operations, a foreign exchange loss has been recognised through our translation reserve on the consolidated balance sheet and the exchange difference in the consolidated statement of comprehensive income for £9,000 at 30 June 2017 and £7,000 at 31 December 2017.

12 Reconciliation of operating cash flows

	6 months ended 30 June 2018 £'000 (Unaudited)	6 months ended 30 June 2017 Restated* £'000 (Unaudited)	Year ended 31 December 2017 Restated* £'000 (Audited)
Profit for the period	**432**	2,308	4,402
Adjustment for:			
Depreciation and amortisation	**364**	348	750
Equity settled share-based payment expense	**362**	401	270
Impairment loss on intangible assets	**-**	-	1,320
Reversal of freehold property impairment	**-**	(601)	(506)
Loss on disposal of property, plant and equipment	**6**	2	-
Share of loss of joint venture	**66**	-	-
Investment revenues	**(252)**	(84)	(191)
Finance costs	**112**	160	313
Income tax expense/(credit)	**902**	(18)	(1,174)
Operating cash flows before movement in working capital	**1,992**	2,516	5,184
Decrease/(increase) in inventories	**9**	11	(25)
Increase in receivables	**(649)**	(2,542)	(1,783)
Decrease in insurance assets	**-**	14	32
Decrease in payables	**(2,198)**	(1,023)	(3,306)
Increase in deferred revenue	**780**	1,112	2,651
Decrease in insurance liabilities	**(67)**	(128)	(157)
Decrease in provisions	**(121)**	(943)	(653)
Cash (used in)/from operations	**(254)**	(983)	1,943
Income taxes received/(paid)	**94**	(426)	(765)
Net cash (used in)/from operating activities	**(160)**	(1,409)	1,178

* Certain figures for the 6 months ended 30 June 2017 and the year ended 31 December 2017 have been restated to reflect the adoption of IFRS 15. Net cash used in operating activities for these periods is unchanged from original presentation.

13 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, 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 2018, the Group has paid £25,000 plus VAT (six months ended 30 June 2017: £nil; year ended 31 December 2017: £28,000) to ORCL, which was payable under 30 days credit terms.

Since investment on 6 March 2018, the Group has not undertaken any other transactions with its joint venture (KYND). Refer to note 8 for details of the investment.

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 2018 £'000 (Unaudited)	6 months ended 30 June 2017 £'000 (Unaudited)	Year ended 31 December 2017 £'000 (Audited)
Short term employee benefits	**1,070**	1,261	2,421
Post-employment benefits	**42**	52	93
Termination benefits	**-**	253	253
Share-based payments	**217**	330	252
	1,329	1,896	3,019

14 Events after the balance sheet date

On 7 September 2018, the Group agreed to take a majority holding in Globiva, a company incorporated in India. The Group has agreed to acquire 61% of the share capital of Globiva for a total cash consideration of approximately £2.0 million (Indian rupee 184.0 million). The acquisition will be completed in three tranches. On 7 September 2018, the Group paid the first tranche of £0.7 million (Indian rupee 62.0 million) to acquire 34.5% of the issued share capital. The second tranche of £0.7 million (Indian rupee 62.0 million) is payable in November 2018 and the final tranche of £0.6 million (Indian rupee 60.0 million) is payable in May 2019. The Group's total shareholding in Globiva after the second and third payments will be 51.3% and 61.0% respectively.

The Group has commenced restructuring activities in its EU markets. The restructuring activities include closure of the office in Germany and redundancy programmes in Italy and Spain. These measures have been taken to realise the efficiencies available through the EU hub model and to appropriately align the cost base with business activity.

On 21 September 2018, following the satisfaction of certain conditions the Group paid the final tranche of £0.7 million to KYND. The Group's total investment in KYND is £1.2 million for a holding of 20% of the share capital. Refer to note 8 for further detail.