

**CPPGROUP PLC**

**21 AUGUST 2015**

**HALF YEAR REPORT**

**FOR THE SIX MONTHS ENDED 30 JUNE 2015**



## **ROBUST FIRST HALF PERFORMANCE CLEAR AND FOCUSED APPROACH FOR THE FUTURE**

CPPGroup Plc (CPP or the Group) is an international assistance business operating in the UK and overseas. CPP primarily operates a business-to-business-to-consumer (B2B2C) business model providing products and services to customers through Business Partners and direct to consumer. The Group's core assistance products help to provide security and are designed to make everyday life easier to manage.

### **Financial highlights**

- Group revenue from continuing operations of £45.2 million (H1 2014: £58.7 million)
- The Group's annual renewal rate has improved to 73.2% (31 December 2014: 71.4%), reflecting the value customers continue to place on our products
- Underlying operating profit of £2.2 million (H1 2014: breakeven) partly reflecting the on-going control of the cost base
- Stable financial platform and stronger liquidity, following successful equity raise and debt restructuring together with improved trading

### **Operational highlights**

- Commenced work with SSP Limited on implementation of a new core platform IT system for the Group
- Decision to cease providing airport lounge access services (Airport Angel)
- Reorganisation of management to a more nimble structure with greater accountability
- Strategic initiatives defined to drive growth, enhance digital and IT capability and manage costs
- New executive team; appointment of Stephen Callaghan as Chief Executive Officer, 30 July 2015; proposed appointment of Michael Corcoran as Chief Financial Officer, with effect from 1 September 2015

Stephen Callaghan, Chief Executive Officer, commented:

“CPP has made significant progress in the first half of 2015. Securing new equity funding and restructuring of the Group's debt has provided the business with a stable financial platform, and the business has delivered an improved profit performance underpinned by our on-going focus on costs. There is much work to do for the Group to realise its growth ambitions, however we are seeing encouraging progress from the actions we are taking to improve our financial performance. We expect to make further progress during the remainder of 2015 and, looking to next year, our current view is that the Group's underlying operating profit will be materially higher than the previous expectations set for 2016.

CPP is going through a significant transition. We are in the early stages of the Group's transformation plan and the team at CPP has clarity of purpose, a focused approach, and well-defined accountability. As the Group looks to the future, we know what we have to do and understand the importance of maintaining momentum in the delivery of our plans to ensure we achieve a strong, sustainable and profitable future.”

## Highlights – continuing operations

	Six months ended 30 June 2015 (Unaudited)	Six months ended 30 June 2014 (Unaudited)
Revenue (£ millions)	45.2	58.7
Operating profit/(loss) (£ millions)		
– Reported	20.7	(0.3)
– Underlying <sup>1</sup>	2.2	-
Profit/(loss) for the period (£ millions) <sup>2</sup>	17.1	(2.7)
Basic earnings/(loss) per share (pence)	2.50	(1.12)
Cash used in operations (£ millions) <sup>3</sup>	(4.0)	(23.0)
Net funds (£ millions) <sup>4</sup>	36.9	21.6
Live policies (millions)	4.4	6.1
Annual renewal rate (%) <sup>5</sup>	73.2	69.5

1. Underlying operating profit/(loss) excludes an exceptional credit of £18.9 million (H1 2014: £0.3 million charge) and Matching Share Plan charges of £0.3 million (H1 2014: £nil). Further detail of the exceptional credit is provided in note 4 to the condensed consolidated interim financial statements.
2. Profit/(loss) for the period includes profit/(loss) after tax from continuing and discontinued operations.
3. Includes cash flows from continuing and discontinued operations.
4. Net funds comprise cash and cash equivalents of £38.0 million (H1 2014: £53.6 million) partially offset by borrowings of £1.1 million (H1 2014: £32.0 million). Cash and cash equivalents includes cash held for regulatory purposes of £15.8 million (H1 2014: £20.4 million) and cash restricted by the terms of the VVOP within the UK's regulated entities of £17.5 million (H1 2014: £24.4 million). Whilst not available to the wider Group, the restricted cash is available to the regulated entity in which it exists including for operational and residual redress purposes.
5. The annual renewal rate does not include cancellations that have occurred during the UK Scheme as they are not considered available to renew in the normal course of business. If UK Scheme of Arrangement cancellations were included the annual renewal rate would be 8.0 percentage points lower at approximately 65.2% (H1 2014: 1.3 percentage points lower at 68.2%).

## Enquiries

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

## REGISTERED OFFICE

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Registered number: 07151159

## **CHAIRMAN'S STATEMENT**

### **Introduction and first impressions**

I joined the Board of CPP in May 2015 and was appointed Chairman in July. During my career I have worked across many different industries, developing a track record for overseeing successful business transformations, most recently as Non-Executive Chairman of Hornby PLC, the international models and collectibles group, and more broadly in my capacity as Chairman of Phoenix Asset Management Partners.

In my first months at CPP I have spent time with the leadership team and developed a more in-depth knowledge of the Group. CPP has come through a very challenging few years and there is more work to do if we are to achieve the more focused, sustainable and profitable future that we want for this business.

The process to secure new equity funding at the start of this year, together with the concurrent restructuring of the Group's liabilities and refinancing of its debts, was a critical milestone. The successful completion of this process provided the Group with a stronger and more stable footing and signalled the start of a new era for CPP upon which we will build.

My early engagement with the business has provided me with confidence. The Group has continued to show resilience through challenging times, and it is clear that it has potential. The business has an extensive international footprint, real product development ambition, and good customer service capabilities. At the heart of all this is CPP's colleagues – they have the passion to go the extra mile for end-customers, and they are committed to making this business a success. Ensuring that we continue to provide opportunity for our people by both developing existing colleagues and attracting new talent to the business are key priorities and by so doing the Group will be better placed to capitalise on the opportunities that lie ahead. As Chairman I will be providing my full support to the executive team in this regard. It is only by having the right people, doing the right things by customers, that we will deliver sustainable value to our shareholders and other stakeholders.

### **Board changes**

There have been a number of Board changes during the first half of the year, not least my own appointment to the Board in May before taking over the Chairmanship in July. The Board thanks Eric Anstee, my predecessor, for his contribution to the Group and wishes him well for the future.

CPP also has a new executive team. We were delighted to have secured the services of Stephen Callaghan as Chief Executive Officer (CEO). Stephen has a proven track record of driving improved business performance on an international scale, with extensive relevant experience in growing technology-enabled customer service businesses. He is a highly experienced executive and has already made a significant impact on the business. The Board looks forward to supporting Stephen as he continues to lead the Group forward.

At the end of June, Craig Parsons announced his decision to step down from his role as Chief Financial Officer after 13 years with the Group, which will take effect on 31 August 2015. Craig has given a huge amount to CPP during his time with the business and leaves with our very best wishes for continued career success. Today we are pleased to announce the Board's intention to appoint Michael Corcoran as CPP's new Chief Financial Officer

(subject to regulatory approval) with effect from 1 September 2015. Michael has extensive international and regulated business experience and expertise in managing strong financial, operational, governance and compliance frameworks. On behalf of the Board I would like to welcome Michael to CPP and we look forward to the new and valuable perspective he brings.

An important priority for me and the leadership team will be to ensure that an appropriate business culture exists in the Group underpinned by the necessary governance structure to support the business, and that CPP has effective leadership supported by a strong Board. I believe the Group's new executive team will bring considerable energy to CPP as we embark on the next stage of our journey. We will also add depth to the Group Board this year and my focus will be on ensuring that the appointments we make bring both relevant experience and complementary skills.

### **Dividend**

The Directors have decided not to recommend the payment of a dividend and the Board continues to believe it is not appropriate to pay a dividend until cash generated by operating activities is more than adequate to cover the Group's future investment plans.

Roger Canham  
Chairman

## **CHIEF EXECUTIVE'S STATEMENT**

### **Introduction and first impressions**

On 17 March 2015, I was engaged to support the Executive Chairman as a contractor to CPP and subsequently, in April 2015, the Board announced its intention to appoint me as Interim CEO subject to regulatory approval. On 30 July 2015, my position as the permanent CEO was announced following completion of my Approved Persons application and following a process that resulted in the Board approving my permanent appointment. My appointment therefore followed the completion of the equity raise and debt restructure in February and my tenure as CEO commences as the business embarks on a new beginning.

In the 150 or so days that have elapsed since my initial appointment I have gained a thorough understanding of the business and turned my attention to the activities required to best position the Group for recovery and growth. This is an international business with operations in established markets such as the UK, Spain, Germany, Italy and Portugal as well as emerging markets in India, Mexico, Malaysia, Turkey and China. I have spent time with colleagues across the business to understand how our operations are run and how they interact, what's working and what's not, and which areas need improvement or to be stopped.

CPP is a business that has endured a number of challenging years, particularly in the UK. It is clear to me that the Group has many strengths and my role is to build upon these whilst eliminating activities and behaviours that detract from our core purpose. For CPP to succeed – to become the 'international assistance business of choice' – then it must do so as a committed, trusted organisation that provides a valuable service to its customers.

In this regard CPP is going through a significant transition. The business has been focused on resolving legacy issues which have been so damaging to our reputation. The conduct and practices that led to these issues in the past are entirely inconsistent with the values we hold ourselves to today. As part of our culture change we have been embedding our core values of Commit, Collaborate, and Perform across the organisation through training courses and through our management processes supported by regular internal communications. We are committed to creating a values-driven culture in CPP, which will enhance the customer experience. These core values will also determine how we measure and reward performance. We also continue to focus on governance and leadership, controls (including enhanced resources in Risk and Compliance), and ensuring that our product offerings are designed to meet the needs of our customers. We have a lot of work to do, however we now have a good financial basis on which to build, and it is by rising to these challenges that we will create our own opportunities. Our focus on culture change will continue through 2015 and beyond, will demonstrate our commitment to doing business in the right way, and will support long-term, sustainable business growth.

I wish to build an organisation designed to execute against both tactical and strategic plans that position the Group to become a sustainable, growing and profitable business. Clinical focus on key activities designed to create both the cash runway and the execution time required to deliver customer led product and proposition developments are central to this plan. The reporting and management structure has been reorganised to eradicate cost and improve operational control, such as taking decisive action to cease provision of the historically loss making airport lounge access services marketed under the Airport Angel brand.

We have three clear priorities in the short term: revenue generation, business transformation, and cost reduction. Internally we refer to these as 'swim lanes' and each has an executive owner with accountability and a reporting line directly to me. Included within these deliverables will be our Regulatory Business Plan; a pre-requisite for applying to remove the restrictions of the Voluntary Variation of Permissions (VVOP) and recommencing 'new business' commercial activities in the UK, which remains a key strategic market for the Group. Concurrently with these initiatives we will set a clear strategic direction for the business and this will require a strong and committed team. We have the core of that team in place now but by the close of this financial year I intend to strengthen the executive team further, specifically in the areas of technology and marketing.

### **Group performance – a stronger, profitable platform**

During the first half of 2015 CPP secured new equity funding, restructured the Group's liabilities and refinanced its debts. This was an essential and significant step that has provided the Group with a stable financial platform upon which to build.

Results for the first half of 2015 show the business returning to profitability but they also continue to exhibit some of the underlying challenges and trends faced by the business. Group revenue has declined to £45.2 million (H1 2014: £58.7 million), continuing to reflect the natural decline in the UK renewal book as new business sales remain restricted. The underlying operating profit in the first half of the year is £2.2 million (H1 2014: breakeven). This improved underlying operating profit performance is partly the result of the actions taken in 2014 to reduce the cost base, alongside on-going cost control scrutiny and initiatives. The Group's liquidity is stronger following the equity raise and improved trading performance.

The Group's annual renewal rate has improved to 73.2% (31 December 2014: 71.4%), reflecting the value customers continue to place on our products, albeit the live policy base has reduced to 4.4 million (31 December 2014: 5.1 million) principally due to an expected decline in UK wholesale policies.

Group performance in the first half of 2015 is discussed further in the operational and financial reviews below.

### **Revenue generation**

The Chief Revenue Officer (CRO) owns the Group's growth agenda which is underpinned by three drivers: products, channels and geographies. Current products and propositions will continue to be sold, reviewed and updated to become relevant for new geographies and channels to market, including digital. New products will be conceived and designed in response to consumer demand for deployment on an international basis through new and existing sales channels.

- Maximising existing capability

Short-term revenue generation will be driven almost exclusively by looking after our existing customers and by augmenting the Group's existing capabilities by making relatively simple product changes to facilitate geographic revenue growth in response to consumer demand. This extends the reach of the Group's existing product portfolio. Country Managers now report to the CRO and we have created forums for the dissemination of product, channel and marketing initiatives so that we can leverage activity across the business.

- Accelerating the development of new growth initiatives

Innovation is central to the Group's future plans, and this applies to products, customer propositions and channels. Work is underway to develop new products and propositions that will be increasingly digital-led, enabled by the Group's transition to a new core platform IT system and the appointment of a Chief Technical Officer who will report directly to me and work alongside the Product team. The development of new business channels to market outside of CPP's traditional banking channels will create growth potential.

### **Business transformation**

This swim lane is the direct responsibility of the Group's Chief Operating Officer and is focused on ensuring a successful migration to a new Group-wide core IT operating infrastructure to deliver cost, compliance and control benefits. This is a key activity to support our Regulatory Business Plan focused initially around relaunching the UK business to better serve customer needs, as well as creating an international business enabler.

The new system will provide the core IT platform to support the Group's increasing focus on digital technology whilst improving operational efficiency and improving customer experience. During the first half of the year we announced that SSP Limited, the leading specialist in general insurance technology solutions, had been selected as our systems partner. Work is well underway with the implementation process, which will be rolled out in the UK initially during 2016 and then be extended across the Group's international operations. This is a significant focus for the business and we are working to an intensive timetable, with a high level of commitment and motivation to achieving a successful Group-wide implementation but not before the end of 2016.

When fully embedded, the system will simplify and standardise processes across the business; provide compliant, robust governance controls and secure customer data storage; and support our increasingly digital aspirations in new product development. By adopting a proven platform chosen by leading insurers, CPP will have a stronger competitive position in an increasingly digital world.

### **Cost reduction**

The cost control swim lane is owned by the Group's Chief Financial Officer and tight control of costs remains a core focus for CPP. Administrative costs have reduced by £4.6 million compared to the same period last year and we have a clear line of sight on additional savings within the existing cost base. During the first half of the year we have taken some big steps, by completing the closure of the underperforming Brazilian operation, for example. In addition, effective cost control is becoming embedded as a core part of CPP's culture and values. We are challenging all aspects of the business to ensure we are maximising the value we get from our expenditure.

### **Moving towards an efficient and effective organisation**

The management structure has been reorganised to provide clarity and greater accountability. The Regional Director management layer has been removed to create a structure more appropriate for a business of our size. This ensures a more effective structure, brings the Group executive team closer to operations across the Group's geographies and will allow me to have my hands more directly on the levers and work closely with small teams to get things done. This will allow us to gain pace with our initiatives and accelerate the Group's progress.



By bringing the executive team closer to the Group's operations we have been more readily able to recognise talent within the Group and identify gaps, such as leadership roles in technology and marketing that we are seeking to fill. The culture and values we seek to adopt require us to have engaged, enthusiastic and committed people from the front line to the very top of the organisation. Confident and empowered colleagues are essential to making a difference at CPP whilst we build their careers in the process. This work has been initiated in the first half and continues apace.

### **Operational review**

During the period the Group operated internationally in three regions; UK and Ireland which accounts for 63% of Group revenue, Europe and Latin America which accounts for 29% of Group revenue and Asia Pacific which accounts for 8% of Group revenue. Further detail of regional financial performance is provided in note 3 to the condensed consolidated interim financial statements. As part of the Group's organisational restructure the intention is to shift the focus of management away from the current regional basis to an individual country level.

Group revenue has continued to decline, principally due to the restrictions on new retail sales in the UK from the VVOP, and the continued difficult economic conditions in southern Europe. However, we are encouraged by the increase in the Group's annual renewal rate, which is driven by an improving rate in the Group's largest renewal markets, the UK and Spain. The loyalty of the existing customer base is pleasing and demonstrates that customers value our products. However we recognise there is more that can be done to further enhance the customer experience and during the period the Group has continued to develop its product and channel propositions which have led to a number of new opportunities.

The key commercial operational developments during the period include:

- Spain – a contract to provide a new automotive insurance product has been signed and sales will commence in H2 2015
- India – positive progress has been made in the mobile phone protection sector, with one major contract signed and sales have now commenced. The Card Protection portfolio continues to grow with new opportunities in several retail banks, some of which are linked to new channel development
- Turkey – new channel development has contributed to revenue growth in the period
- Italy – there are a number of exciting pilot campaigns planned which will help to drive new revenue in the country
- China – we have worked hard with existing partners to develop new sales channels that show potential, whilst at the same time reviewing the financial viability of existing campaigns and making closures where necessary
- UK – detailed market analysis has been undertaken to influence and inform our strategic product development direction

The decision to cease providing airport lounge access services (Airport Angel), as announced on 27 May 2015, is a further step towards CPP becoming a more focused, sustainable and profitable business. We are working towards Airport Angel being operationally closed by the end of the year. The regional office closure in Hong Kong is also complete and plans to exit the market are well advanced. The market exit of Brazil has been completed in the first half of the year.

We continue to work on enhancing our digital capability which will enable more interactive, efficient ways of engaging with our customers.

## **Financial review**

### **Summary**

The Group completed the equity raise and debt restructure in February 2015 which represented an essential and significant milestone in restoring the Group's financial stability and providing a platform from which it can progress in its development. The cost base remains a key priority and is an area of continued focus across the Group.

On a constant currency basis, Group revenue has declined by 21% for the half year to £45.2 million, continuing to reflect the natural decline in the UK renewal book as new sales remain restricted through the terms of the VVOP. The Group's annual renewal rate has improved in the period to 73.2% from 71.4% at 31 December 2014. This improvement is largely driven by the UK, reflecting the value the remaining book places in our products and the approved change in late 2014, to revert to an industry standard 'cooling off' period for renewing policies.

The underlying operating profit in the first half of the year is £2.2 million (H1 2014: breakeven). Underlying operating profit, which excludes exceptional items and Matching Share Plan (MSP) charges, has improved largely as a result of the actions taken in 2014 to reduce the cost base and one-off benefits relating to Airport Angel, which offset the profit impact of declining revenue. The underlying operating profit margin has therefore increased to 4.8% (H1 2014: breakeven).

Exceptional items are a credit of £18.9 million (H1 2014: charge £0.3 million) which comprises; a gain from the compromise of the commission deferral agreement, net of associated costs, of £19.4 million; and restructuring activities, mainly in Spain, of £0.5 million.

The exceptional items, along with the MSP charges of £0.3 million contribute to a reported operating profit of £20.7 million (H1 2014: loss £0.3 million).

Profit after tax from continuing operations is £17.1 million (H1 2014: loss £1.9 million) and underlying profit after tax, which excludes exceptional items and MSP charges, is £0.4 million (H1 2014: loss £1.7 million).

There are no discontinued operations in the current period (H1 2014: loss £0.8 million). The Group's reported profit for the period is therefore £17.1 million (H1 2014: loss £2.7 million). In accordance with accounting standards, the results of Airport Angel will be disclosed as discontinued when its closure is complete.

### **Redress**

The Group has a remaining customer redress and associated cost provision at 30 June 2015 of £3.7 million, which reflects the Group's current estimate of the cost to complete residual customer redress activity. There has been no additional provision made in the first half of the year. The provision does not include an amount for the outstanding element of the regulatory fine of £8.5 million, which is disclosed within current and non-current payables.

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

The equity raise and debt restructure has had a fundamental impact on the Group's balance sheet position, returning it to net assets of £5.3 million at 30 June 2015 from net liabilities of £30.9 million at 31 December 2014.

The Group's borrowing arrangements comprise a £5.0 million debt facility which is available until February 2018, and a commission deferral balance of £1.3 million which is due for repayment in January 2017. These arrangements are much reduced, following the debt restructure in February 2015, from the previous £13.0 million debt facility and £20.9 million commission deferral balance. The debt facility, whilst committed, is not currently being utilised by the Group.

As expected, the Group's net funds position has increased to £36.9 million at 30 June 2015 (31 December 2014: £7.9 million) as a result of the equity raise and commission deferral compromise. The working capital outflow of £6.2 million in the period reflects continued cash settlement of residual redress and a reduction in Airport Angel and southern European trading balances. Capital expenditure in the period is £2.5 million (H1 2014: £0.1 million) as the Group develops its new core policy IT system, with planned implementation being H1 2016 in the UK. The net funds figure includes £33.3 million cash held in the UK's regulated entities. These cash balances cannot be distributed to the wider Group as they are either held for regulatory purposes or are restricted by the terms of the VVOP. The restricted cash is, however, available to use in the regulated entity in which it exists.

## **Summary and outlook**

CPP has made significant progress in the first half of 2015. Securing new equity funding and restructuring of the Group's debt has provided the business with a stable financial platform, and the initial focus on swim lanes will ensure that we generate the necessary momentum and cash runway upon which to build a future. This is a new beginning for CPP. Under a new and motivated leadership team the business has started to take actions that will shape the long-term future development of the Group.

Challenges remain and there is much work to do for the Group to realise its growth ambitions. Consequently, there continues to be uncertainty from strategic risk whilst the Group's plans are developed. However, the team at CPP has clarity of purpose, a focused approach, and well-defined accountability. Therefore, as the Group looks to the future, we know what we have to do and understand the importance of maintaining momentum in the delivery of our plans.

Efforts to improve the Group's financial performance in the short-term will continue and we are seeing encouraging progress from the actions we are taking. Whilst we expect to make further progress during the remainder of 2015, looking to next year, following a strengthening of renewal rates, other commercial initiatives and further cost control, our current view is that the Group's underlying operating profit will be materially higher than the previous expectations set for 2016, albeit 2016 revenue is expected to be materially lower following the closure of Airport Angel.

Stephen Callaghan  
Chief Executive Officer

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**CONSOLIDATED INCOME STATEMENT**

		6 months ended 30 June 2015 £'000 (Unaudited)	6 months ended 30 June 2014 £'000 (Unaudited)	Year ended 31 December 2014 £'000 (Audited)
	Note			
<b>Continuing operations</b>				
Revenue		45,185	58,667	108,806
Cost of sales		(22,739)	(33,746)	(60,774)
<b>Gross profit</b>		<b>22,446</b>	24,921	48,032
<b>Administrative expenses</b>				
Exceptional items	4	18,902	(262)	(6,323)
Matching Share Plan charges	13	(348)	-	-
Other administrative expenses		(20,283)	(24,924)	(47,507)
<b>Total administrative expenses</b>		<b>(1,729)</b>	(25,186)	(53,830)
<b>Operating profit/(loss)</b>				
Operating profit/(loss) before exceptional items and Matching Share Plan charges		2,163	(3)	525
<b>Operating profit/(loss) after exceptional items and Matching Share Plan charges</b>				
		20,717	(265)	(5,798)
Investment revenues		131	287	432
Finance costs		(1,416)	(1,164)	(2,296)
<b>Profit/(loss) before taxation</b>		<b>19,432</b>	(1,142)	(7,662)
Taxation	5	(2,351)	(780)	1,698
<b>Profit/(loss) for the period from continuing operations</b>		<b>17,081</b>	(1,922)	(5,964)
<b>Discontinued operations</b>				
Loss for the period from discontinued operations		-	(785)	(785)
<b>Profit/(loss) for the period attributable to equity holders of the Company</b>		<b>17,081</b>	(2,707)	(6,749)
<b>Basic earnings/(loss) per share:</b>				
Continuing operations	7	2.50	(1.12)	(3.48)
Discontinued operations	7	-	(0.46)	(0.46)
		<b>2.50</b>	(1.58)	(3.94)
<b>Diluted earnings/(loss) per share:</b>				
Continuing operations	7	2.48	(1.12)	(3.48)
Discontinued operations	7	-	(0.46)	(0.46)
		<b>2.48</b>	(1.58)	(3.94)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>6 months ended 30 June 2015 £'000 (Unaudited)</b>	6 months ended 30 June 2014 £'000 (Unaudited)	Year ended 31 December 2014 £'000 (Audited)
Profit/(loss) for the period	17,081	(2,707)	(6,749)
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of foreign operations	296	146	111
<b>Other comprehensive income for the period net of taxation</b>	<b>296</b>	<b>146</b>	<b>111</b>
<b>Total comprehensive income/(expense) for the period attributable to equity holders of the Company</b>	<b>17,377</b>	<b>(2,561)</b>	<b>(6,638)</b>

## CONSOLIDATED BALANCE SHEET

		<b>30 June 2015</b>	30 June 2014	31 December 2014
		<b>£'000</b>	£'000	£'000
	Note	<b>(Unaudited)</b>	(Unaudited)	(Audited)
<b>Non-current assets</b>				
Other intangible assets	8	<b>2,810</b>	1,915	808
Property, plant and equipment	8	<b>3,657</b>	4,621	3,820
Deferred tax asset		<b>489</b>	2	2,248
		<b>6,956</b>	6,538	6,876
<b>Current assets</b>				
Insurance assets		<b>451</b>	376	593
Inventories		<b>89</b>	121	93
Trade and other receivables		<b>14,048</b>	18,803	15,709
Cash and cash equivalents	9	<b>38,019</b>	53,613	40,599
		<b>52,607</b>	72,913	56,994
<b>Total assets</b>		<b>59,563</b>	79,451	63,870
<b>Current liabilities</b>				
Insurance liabilities		<b>(1,651)</b>	(2,612)	(2,019)
Income tax liabilities		<b>(2,923)</b>	(2,983)	(2,231)
Trade and other payables		<b>(41,398)</b>	(44,502)	(40,631)
Provisions	11	<b>(4,437)</b>	(14,034)	(7,041)
		<b>(50,409)</b>	(64,131)	(51,922)
<b>Net current assets</b>		<b>2,198</b>	8,782	5,072
<b>Non-current liabilities</b>				
Borrowings	10	<b>(1,130)</b>	(32,016)	(32,733)
Deferred tax liabilities		<b>(13)</b>	(529)	(126)
Trade and other payables		<b>(2,125)</b>	(9,505)	(8,991)
Provisions	11	<b>(606)</b>	-	(973)
		<b>(3,874)</b>	(42,050)	(42,823)
<b>Total liabilities</b>		<b>(54,283)</b>	(106,181)	(94,745)
<b>Net assets/(liabilities)</b>		<b>5,280</b>	(26,730)	(30,875)
<b>Equity</b>				
Share capital	12	<b>23,879</b>	17,123	17,126
Share premium account		<b>45,109</b>	33,290	33,291
Merger reserve		<b>(100,399)</b>	(100,399)	(100,399)
Translation reserve		<b>1,016</b>	755	720
Equalisation reserve		<b>6,870</b>	7,834	7,487
ESOP reserve		<b>12,223</b>	11,886	11,891
Retained earnings/(accumulated losses)		<b>16,582</b>	2,781	(991)
<b>Total equity attributable to equity holders of the Company</b>		<b>5,280</b>	(26,730)	(30,875)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Translation reserve £'000	Equalisation reserve £'000	ESOP reserve £'000	Retained earnings / (accumulated losses) £'000	Total £'000
<b>6 months ended 30 June 2015 (Unaudited)</b>								
At 1 January 2015	17,126	33,291	(100,399)	720	7,487	11,891	(991)	(30,875)
Total comprehensive income	-	-	-	296	-	-	17,081	17,377
Movement on equalisation reserve	-	-	-	-	(617)	-	617	-
Current tax charge on equalisation reserve movement	-	-	-	-	-	-	(125)	(125)
Equity settled share based payment charge	-	-	-	-	-	332	-	332
Other ordinary share issues (note 12)	6,753	11,818	-	-	-	-	-	18,571
<b>At 30 June 2015</b>	<b>23,879</b>	<b>45,109</b>	<b>(100,399)</b>	<b>1,016</b>	<b>6,870</b>	<b>12,223</b>	<b>16,582</b>	<b>5,280</b>
<b>6 months ended 30 June 2014 (Unaudited)</b>								
At 1 January 2014	17,120	33,292	(100,399)	609	8,129	11,688	5,259	(24,302)
Total comprehensive expense	-	-	-	146	-	-	(2,707)	(2,561)
Movement on equalisation reserve	-	-	-	-	(295)	-	295	-
Current tax charge on equalisation reserve movement	-	-	-	-	-	-	(63)	(63)
Equity settled share based payment	-	-	-	-	-	198	-	198
Exercise of share options	3	(2)	-	-	-	-	(3)	(2)
<b>At 30 June 2014</b>	<b>17,123</b>	<b>33,290</b>	<b>(100,399)</b>	<b>755</b>	<b>7,834</b>	<b>11,886</b>	<b>2,781</b>	<b>(26,730)</b>
<b>Year ended 31 December 2014 (Audited)</b>								
At 1 January 2014	17,120	33,292	(100,399)	609	8,129	11,688	5,259	(24,302)
Total comprehensive expense	-	-	-	111	-	-	(6,749)	(6,638)
Movement on equalisation reserve	-	-	-	-	(642)	-	642	-
Current tax charge on equalisation reserve movement	-	-	-	-	-	-	(138)	(138)
Equity settled share based payment charge	-	-	-	-	-	203	-	203
Deferred tax on share based payment charge	-	-	-	-	-	-	1	1
Exercise of share options	6	(1)	-	-	-	-	(6)	(1)
<b>At 31 December 2014</b>	<b>17,126</b>	<b>33,291</b>	<b>(100,399)</b>	<b>720</b>	<b>7,487</b>	<b>11,891</b>	<b>(991)</b>	<b>(30,875)</b>

## CONSOLIDATED CASH FLOW STATEMENT

	Note	6 months ended 30 June 2015 £'000 (Unaudited)	6 months ended 30 June 2014 £'000 (Unaudited)	Year ended 31 December 2014 £'000 (Audited)
<b>Net cash used in operating activities</b>	14	<b>(4,167)</b>	(21,125)	(32,906)
<b>Investing activities</b>				
Interest received		131	287	432
Purchases of property, plant and equipment		(140)	(37)	(190)
Purchases of intangible assets		(2,327)	(58)	(406)
Cash consideration in respect of sale of discontinued operations		-	275	275
Credit associated with disposal of discontinued operations		-	28	28
Investment in joint venture		-	(1,096)	(1,000)
<b>Net cash used in investing activities</b>		<b>(2,336)</b>	(601)	(861)
<b>Financing activities</b>				
Repayment of bank loans		(13,000)	-	-
Repayment of borrowings		(1,304)	-	-
Proceeds from new borrowings		1,304	8,831	8,831
Interest paid		(882)	(239)	(514)
Cost of refinancing		(220)	-	-
Cost of compromising the Commission Deferral Agreement		(743)	-	(193)
Issue of ordinary share capital and associated costs		19,069	(2)	(499)
<b>Net cash generated by financing activities</b>		<b>4,224</b>	8,590	7,625
<b>Net decrease in cash and cash equivalents</b>		<b>(2,279)</b>	(13,136)	(26,142)
Effect of foreign exchange rate changes		(301)	(151)	(159)
Cash and cash equivalents at start of period		40,599	66,900	66,900
<b>Cash and cash equivalents at end of period</b>		<b>38,019</b>	53,613	40,599



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

### **1 General information**

The condensed consolidated interim financial statements for the six months ended 30 June 2015 do not constitute statutory accounts as defined under Section 434 of the Companies Act 2006. The Financial Statements for the year ended 31 December 2014 were approved by the Board on 30 March 2015 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 2015 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The condensed consolidated interim financial statements should be read in conjunction with the Annual Report and Financial Statements ("the Financial Statements") for the year ended 31 December 2014, 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 20 August 2015.

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). There are no new IFRSs or IFRICs that are effective for the first time for the six months ended 30 June 2015 which have a material impact on the Group.

#### **Going concern**

The Group is in a stable financial position following the completion of the UK Scheme of Arrangement and the successful equity raise, restructure of liabilities and refinancing in February 2015. Whilst there continues to be uncertainty from medium term trading and strategic risk, the Group's forecasts show that the Group should have the necessary resources to trade and operate within the level of its borrowing facilities.

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

### 3 Segmental analysis

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

	UK and Ireland £'000	Europe and Latin America £'000	Asia Pacific £'000	Total £'000
<b>Six months ended 30 June 2015 (Unaudited)</b>				
<b>Continuing operations</b>				
Revenue - external sales	28,436	12,926	3,823	45,185
Regional operating profit/(loss) before exceptional items and Matching Share Plan charges	156	2,102	(95)	2,163
Exceptional items (note 4)				18,902
Matching Share Plan charges				(348)
<b>Operating profit after exceptional items and Matching Share Plan charges</b>				<b>20,717</b>
Investment revenues				131
Finance costs				(1,416)
<b>Profit before taxation</b>				<b>19,432</b>
Taxation				(2,351)
<b>Profit for the period from continuing operations</b>				<b>17,081</b>
<b>Discontinued operations</b>				
Loss for the period from discontinued operations				-
<b>Profit for the period</b>				<b>17,081</b>
	UK and Ireland £'000	Europe and Latin America £'000	Asia Pacific £'000	Total £'000
<b>Six months ended 30 June 2014 (Unaudited)</b>				
<b>Continuing operations</b>				
Revenue - external sales	38,490	17,034	3,143	58,667
Regional operating (loss)/profit before exceptional items	(3,298)	3,271	24	(3)
Exceptional items (note 4)				(262)
<b>Operating loss after exceptional items</b>				<b>(265)</b>
Investment revenues				287
Finance costs				(1,164)
<b>Loss before taxation</b>				<b>(1,142)</b>
Taxation				(780)
<b>Loss for the period from continuing operations</b>				<b>(1,922)</b>
<b>Discontinued operations</b>				
Loss for the period from discontinued operations				(785)
<b>Loss for the period</b>				<b>(2,707)</b>

### 3 Segmental analysis (continued)

<b>Year ended 31 December 2014 (Audited)</b>	UK and Ireland £'000	Europe and Latin America £'000	Asia Pacific £'000	Total £'000
<b>Continuing operations</b>				
Revenue - external sales	69,690	32,463	6,653	108,806
Regional operating (loss)/profit before exceptional items	(4,404)	5,162	(233)	525
Exceptional items (note 4)				(6,323)
<b>Operating loss after exceptional items</b>				(5,798)
Investment revenues				432
Finance costs				(2,296)
<b>Loss before taxation</b>				(7,662)
Taxation				1,698
<b>Loss for the year from continuing operations</b>				(5,964)
<b>Discontinued operations</b>				
Loss for the year from discontinued operations				(785)
<b>Loss for the year</b>				(6,749)

For the purposes of resource allocation and assessing performance, operating costs and revenues are allocated to the regions in which they are earned or incurred. The above does not reflect additional annual net charges of central costs of £1,845,000 presented within UK and Ireland in the tables above which has been charged to other regions for statutory purposes.

#### Segmental assets

	<b>30 June 2015</b> £'000 <b>(Unaudited)</b>	30 June 2014 £'000 (Unaudited)	31 December 2014 £'000 (Audited)
UK and Ireland	50,525	68,254	51,673
Europe and Latin America	5,720	8,455	7,012
Asia Pacific	2,829	2,740	2,937
<b>Total segment assets</b>	<b>59,074</b>	79,449	61,622
Unallocated assets	489	2	2,248
<b>Consolidated total assets</b>	<b>59,563</b>	79,451	63,870

Deferred tax is not allocated to segments.

### 3 Segmental analysis (continued)

#### Revenue from major products

	<b>6 months ended 30 June 2015</b>	6 months ended 30 June 2014	Year ended 31 December 2014
	<b>£'000 (Unaudited)</b>	£'000 (Unaudited)	£'000 (Audited)
<b>Continuing operations</b>			
Retail assistance policies	<b>34,229</b>	43,546	82,652
Retail insurance policies	<b>3,156</b>	6,092	10,229
Packaged and wholesale policies	<b>7,320</b>	8,655	15,080
Non-policy revenue	<b>480</b>	374	845
<b>Revenue from continuing operations</b>	<b>45,185</b>	58,667	108,806

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; "packaged and wholesale policies" are those which are provided by Business Partners to their customers in relation to an on-going 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 on-going service to policyholders for a specified period of time.

#### Geographical information

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

	<b>External revenues</b>			<b>Non-current assets</b>		
	<b>6 months ended 30 June 2015</b>	6 months ended 30 June 2014	Year ended 31 December 2014	<b>30 June 2015</b>	30 June 2014	31 December 2014
	<b>£'000 (Unaudited)</b>	£'000 (Unaudited)	£'000 (Audited)	<b>£'000 (Unaudited)</b>	£'000 (Unaudited)	£'000 (Audited)
<b>Continuing operations</b>						
UK	<b>27,969</b>	37,751	68,412	<b>6,145</b>	5,415	4,100
Spain	<b>6,231</b>	8,079	15,215	<b>131</b>	358	176
Other	<b>10,985</b>	12,837	25,179	<b>191</b>	763	352
<b>Total continuing operations</b>	<b>45,185</b>	58,667	108,806	<b>6,467</b>	6,536	4,628

#### 4 Exceptional items

	<b>6 months ended 30 June 2015 £'000 (Unaudited)</b>	6 months ended 30 June 2014 £'000 (Unaudited)	Year ended 31 December 2014 £'000 (Audited)
Commission deferral compromise and associated costs	<b>(19,388)</b>	-	744
Restructuring costs	<b>486</b>	262	2,579
Customer redress and associated costs	-	-	3,000
<b>Exceptional (credit)/charge included in operating profit or loss</b>	<b>(18,902)</b>	262	6,323
Tax on exceptional items	<b>1,910</b>	(54)	(646)
<b>Total exceptional (credit)/charge after tax</b>	<b>(16,992)</b>	208	5,677

The gain from the commission deferral compromise and associated costs in the six month period of £19,388,000 (H1 2014: £nil, year ended 31 December 2014: £744,000 charge) relates to the gain from the settlement in full of the Commission Deferral Agreement for a payment of £1,304,000, net of costs associated with finalising the agreement to compromise.

The restructuring costs in the six month period of £486,000 (H1 2014: £262,000, year ended 31 December 2014: £2,579,000) relate to redundancy programmes and associated costs across the Group.

#### 5 Taxation

The effective tax rate at the half year is 12.1% (H1 2014: negative 68.3%, year ended 31 December 2014: 22.2%). The effective rate is lower than the standard rate of corporation tax in the UK due to capital allowances and other tax deductions, for which deferred tax assets were not previously recognised, that are now available for offset against UK taxable profits. The UK impact on the effective rate is partly offset by higher rates of tax on overseas profits. The 2015 full year rate may vary from this due to the territory mix of future 2015 profits.

#### 6 Dividends

The Directors have not proposed an interim dividend for 2015.

## 7 Earnings/(loss) per share

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

<b>Six months ended 30 June 2015 (Unaudited)</b>	<b>Continuing operations</b>	<b>Discontinued operations</b>	<b>Total</b>
<b>Earnings</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Profit for the purposes of basic and diluted earnings per share	17,081	-	17,081
Exceptional items (net of tax)	(16,992)	-	(16,992)
Matching Share Plan charges (net of tax)	283	-	283
<b>Earnings for the purposes of underlying basic and diluted earnings per share</b>	<b>372</b>	<b>-</b>	<b>372</b>
<b>Number of shares</b>			<b>Number (thousands)</b>
Weighted average number of ordinary shares for the purposes of basic earnings per share			683,863
Effect of dilutive potential ordinary shares: share options			4,228
Weighted average number of ordinary shares for the purposes of diluted earnings per share			688,091
<b>Earnings per share</b>	<b>Continuing operations</b>	<b>Discontinued operations</b>	<b>Total</b>
	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
Basic earnings per share	2.50	-	2.50
Diluted earnings per share	2.48	-	2.48
 Basic and diluted underlying earnings per share	 0.05	 -	 0.05

## 7 Earnings/(loss) per share (continued)

<b>Six months ended 30 June 2014 (Unaudited)</b>	Continuing operations	Discontinued operations	Total
<b>Loss</b>	£'000	£'000	£'000
Loss for the purposes of basic and diluted loss per share	(1,922)	(785)	(2,707)
Exceptional items (net of tax)	208	(311)	(103)
<b>Loss for the purposes of underlying basic and diluted loss per share</b>	<b>(1,714)</b>	<b>(1,096)</b>	<b>(2,810)</b>
<b>Number of shares</b>			Number (thousands)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share			171,605
<b>Loss per share</b>			
	Continuing operations Pence	Discontinued operations Pence	Total Pence
Basic and diluted loss per share	(1.12)	(0.46)	(1.58)
Basic and diluted underlying loss per share	(1.00)	(0.64)	(1.64)
<b>Year ended 31 December 2014 (Audited)</b>			
	Continuing operations	Discontinued operations	Total
<b>Loss</b>	£'000	£'000	£'000
Loss for the purposes of basic and diluted loss per share	(5,964)	(785)	(6,749)
Exceptional items (net of tax)	5,677	(311)	5,366
<b>Loss for the purposes of underlying basic and diluted loss per share</b>	<b>(287)</b>	<b>(1,096)</b>	<b>(1,383)</b>
<b>Number of shares</b>			Number (thousands)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share			171,622
<b>Loss per share</b>			
	Continuing operations Pence	Discontinued operations Pence	Total Pence
Basic and diluted loss per share	(3.48)	(0.46)	(3.94)
Basic and diluted underlying loss per share	(0.17)	(0.64)	(0.81)

## 8 Tangible and intangible assets

	Other intangible assets £'000	Property, plant and equipment £'000	Total £'000
<b>Six months ended 30 June 2015 (Unaudited)</b>			
Carrying amount at 1 January 2015	<b>808</b>	<b>3,820</b>	<b>4,628</b>
Additions	<b>2,357</b>	<b>140</b>	<b>2,497</b>
Disposals	<b>(1)</b>	<b>(8)</b>	<b>(9)</b>
Amortisation/depreciation	<b>(325)</b>	<b>(253)</b>	<b>(578)</b>
Exchange adjustments	<b>(8)</b>	<b>(42)</b>	<b>(50)</b>
Impairment	<b>(21)</b>	<b>-</b>	<b>(21)</b>
<b>Carrying amount at 30 June 2015</b>	<b>2,810</b>	<b>3,657</b>	<b>6,467</b>
<b>Six months ended 30 June 2014 (Unaudited)</b>			
Carrying amount at 1 January 2014	3,299	5,061	8,360
Additions	58	37	95
Amortisation/depreciation	(1,434)	(442)	(1,876)
Exchange adjustments	(8)	(35)	(43)
<b>Carrying amount at 30 June 2014</b>	<b>1,915</b>	<b>4,621</b>	<b>6,536</b>
<b>Year ended 31 December 2014 (Audited)</b>			
Carrying amount at 1 January 2014	3,299	5,061	8,360
Additions	406	190	596
Disposals	(4)	(39)	(43)
Amortisation/depreciation	(2,884)	(1,271)	(4,155)
Exchange adjustments	(9)	(35)	(44)
Impairment	-	(86)	(86)
<b>Carrying amount at 31 December 2014</b>	<b>808</b>	<b>3,820</b>	<b>4,628</b>

The carrying value of other intangible assets includes £2,621,000 (H1 2014: £nil, 31 December 2014: £373,000) relating to the development of the core IT policy platform, which is an asset under construction and will not be amortised until it becomes operational.



## 9 Cash and cash equivalents

Cash and cash equivalents of £38,019,000 (H1 2014: £53,613,000; 31 December 2014: £40,599,000) comprises cash held on demand by the Group and short term deposits.

Cash and cash equivalents includes the following:

- i) £15,790,000 (H1 2014: £20,375,000; 31 December 2014: £21,542,000) cash maintained by the Group's insurance business for solvency purposes; and
- ii) £17,475,000 (H1 2014: £24,441,000; 31 December 2014: £13,380,000) cash held in the UK's regulated entities CPPL and HIL which is restricted by the terms of the VVOP and cannot be distributed to the wider Group without FCA approval. This restricted cash whilst being unavailable to distribute to the wider Group, is available to the regulated entity in which it exists including for operational and residual customer redress purposes.

## 10 Borrowings

	<b>30 June 2015</b>	30 June 2014	31 December 2014
	<b>£'000</b>	£'000	£'000
	<b>(Unaudited)</b>	(Unaudited)	(Audited)
Bank loans due outside of one year	-	13,000	13,000
Less: unamortised issue costs	<b>(190)</b>	(1,333)	(969)
Deferred commission	<b>1,320</b>	20,349	20,702
<b>Borrowings due outside of one year</b>	<b>1,130</b>	32,016	32,733

The Group's bank debt is in the form of a revolving credit facility (RCF). The current RCF became effective on 11 February 2015 and has a commitment of £5,000,000. The Group is entitled to roll over repayment of amounts drawn down, subject to all amounts outstanding falling due for repayment on expiry of the facility on 28 February 2018.

On 11 February 2015, the Group also agreed to settle all the liabilities of the Commission Deferral Agreement with certain Business Partners for a compromise payment of £1,304,000 and further deferral of commission of up to £1,304,000. On conclusion of the deferral period, commission deferred within the Second Commission Deferral Agreement has totalled £1,304,000, which has a repayment date of 31 January 2017.

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

At 30 June 2015, the Group has undrawn committed borrowing facilities of £5,000,000 (H1 2014: £nil; 31 December 2014: £nil).

## 11 Provisions

	Customer redress and associated costs £'000	Onerous leases £'000	Total £'000
<b>Six months ended 30 June 2015 (Unaudited)</b>			
At 1 January 2015	<b>6,356</b>	<b>1,658</b>	<b>8,014</b>
Customer redress and associated costs paid in the period	<b>(1,829)</b>	-	<b>(1,829)</b>
Utilisation of onerous lease provision in the period	-	<b>(318)</b>	<b>(318)</b>
Transfer to trade and other payables	<b>(824)</b>	-	<b>(824)</b>
<b>At 30 June 2015</b>	<b>3,703</b>	<b>1,340</b>	<b>5,043</b>
<b>Six months ended 30 June 2014 (Unaudited)</b>			
At 1 January 2014	37,398	-	37,398
Customer redress and associated costs paid in the period	(23,364)	-	(23,364)
<b>At 30 June 2014</b>	<b>14,034</b>	<b>-</b>	<b>14,034</b>
<b>Year ended 31 December 2014 (Audited)</b>			
At 1 January 2014	37,398	-	37,398
Charged to the income statement	3,000	1,658	4,658
Customer redress and associated costs paid in the year	(34,042)	-	(34,042)
<b>At 31 December 2014</b>	<b>6,356</b>	<b>1,658</b>	<b>8,014</b>

The customer redress and associated costs provision comprises anticipated compensation payable to customers through residual customer redress exercises and associated professional fees. The outstanding regulatory fine of £8,500,000 is included in current and non-current payables.

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

Customer redress and associated costs are expected to be settled within one year of the balance sheet date and onerous lease provisions are expected to be settled within two years of the balance sheet date.

## 12 Share capital

	Ordinary shares of 10 pence each (thousands)	Ordinary shares of 1 penny each (thousands)	Deferred shares of 9 pence each (thousands)	Ordinary shares of 10 pence each £'000	Ordinary shares of 1 penny each £'000	Deferred shares of 9 pence each £'000
<b>Called-up and allotted:</b>						
At 1 January 2015	171,650	-	-	17,126	-	-
Capital reorganisation	(171,650)	171,650	171,650	(17,126)	1,713	15,413
February placement	-	666,667	-	-	6,667	-
June share issue	-	8,550	-	-	86	-
Exercise of share options	-	31	-	-	-	-
<b>At 30 June 2015</b>	<b>-</b>	<b>846,898</b>	<b>171,650</b>	<b>-</b>	<b>8,466</b>	<b>15,413</b>

On 20 January 2015, each of the Company's 10 pence ordinary shares was subdivided and redesignated into one new ordinary share of 1 penny each and one new deferred share of 9 pence each. Each new ordinary share of 1 penny carries the same rights as the old 10 pence ordinary share. Deferred shares have no voting rights, no rights to receive dividends and only very limited rights on a return of capital. The deferred shares have not been listed for trading in any market and are not freely transferable.

On 11 February 2015, the Company transferred the trading of its shares from the main market of the London Stock Exchange to AIM. On transfer to AIM, as part of a placing the Company also issued 666,666,667 1 penny ordinary shares for cash consideration of £20,000,000. Costs of the share issue of £1,686,000 have been charged to the share premium account.

On 25 June 2015, the Company issued 8,550,000 ordinary shares as part of the Group's new share incentive scheme, the MSP. The newly issued shares, which represent Investment Shares in the terms of the plan, were purchased for total consideration of £257,000.

During the period the Company issued 31,720 ordinary shares for cash consideration of £nil to option holders under its other share option schemes.

## 13 Share based payment

On 25 June 2015, the Group implemented a new share incentive scheme, the MSP. Under the terms of the plan, participants acquire Investment Shares, refer to note 12. Each Investment Share is awarded options over three Matching Shares with an exercise price of one penny per share. The total number of options awarded in this plan and outstanding at the balance sheet date is 25,650,000.

The MSP options vest over a period of three years, with 25% vesting on the first anniversary of the grant date, 25% vesting on the second anniversary and 50% vesting on the third anniversary. Options lapse if not exercised within ten years of grant and may lapse if option holders cease to be employed by the Group.

The MSP charges in the income statement of £348,000 (H1 2014: £nil, 31 December 2014: £nil) principally relate to the share based payment charge on the acquisition of shares under the Plan.

## 14 Reconciliation of operating cash flows

	<b>6 months ended 30 June 2015 £'000 (Unaudited)</b>	6 months ended 30 June 2014 £'000 (Unaudited)	Year ended 31 December 2014 £'000 (Audited)
Profit/(loss) for the period	17,081	(2,707)	(6,749)
<b>Adjustment for:</b>			
Depreciation and amortisation	578	1,876	4,155
Equity settled share based payment expense	332	198	203
Impairment loss on intangibles and property, plant and equipment	21	-	86
Loss on disposal of property, plant and equipment	9	-	43
Profit associated with disposal of discontinued operation	-	(311)	(311)
Commission deferral compromise and associated costs	(19,388)	-	744
Share of loss of joint venture	-	1,096	1,096
Investment revenues	(131)	(287)	(432)
Finance costs	1,416	1,164	2,296
Income tax expense/(credit)	2,351	780	(1,698)
<b>Operating cash flows before movement in working capital</b>	<b>2,269</b>	<b>1,809</b>	<b>(567)</b>
Decrease in insurance assets	142	3,011	2,794
Decrease in inventories	4	28	56
Decrease in receivables	254	1,245	5,202
Decrease in insurance liabilities	(368)	(1,378)	(1,970)
Decrease in payables	(3,310)	(4,334)	(9,892)
Decrease in provisions	(2,971)	(23,364)	(29,384)
<b>Cash used in operations</b>	<b>(3,980)</b>	<b>(22,983)</b>	<b>(33,761)</b>
Income taxes (paid)/repaid	(187)	1,858	855
<b>Net cash used in operating activities</b>	<b>(4,167)</b>	<b>(21,125)</b>	<b>(32,906)</b>

## 15 Related party transactions

### Ultimate controlling party

On 11 February 2015, Mr Hamish Ogston's holding in the Company reduced from 56.12% to 43.00%, resulting in the Group no longer having a controlling party.

### Transactions with related parties

As part of the placing of 666,666,667 ordinary shares by the Company on 11 February 2015, Mr Hamish Ogston acquired 264,144,352 ordinary shares through his family investment vehicle Milton Magna Limited for consideration of £7,924,000 and Schroder Investment Management Limited acquired 61,437,285 ordinary shares for consideration of £1,843,000. Both parties were substantial shareholders in the Group prior to the placing.

As part of the MSP, key management personnel of the Group purchased investment shares on 25 June 2015, for total consideration of £210,000.

### Remuneration of key management personnel

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

	<b>6 months ended 30 June 2015 £'000 (Unaudited)</b>	6 months ended 30 June 2014 £'000 (Unaudited)	Year ended 31 December 2014 £'000 (Audited)
Short term employee benefits	<b>1,322</b>	875	2,133
Post-employment benefits	<b>48</b>	45	100
Termination benefits	<b>235</b>	-	-
Share based payments	<b>265</b>	9	8
	<b>1,870</b>	929	2,241