**PRESS RELEASE embargoed until 7am 11 September 2019**


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# Charles Taylor plc
# Announcement of results for six months ended 30 June 2019

## Business Highlights

- Expanded Charles Taylor Claims Services through organic and acquired growth in loss adjusting and through bringing together the Group's claims handling activities into a joined-up business, which is winning new business.
- Continuing to deliver reliable and sustainable Charles Taylor Insurance Management revenues from major long-term clients. Concluded the strategic review of Charles Taylor Managing Agency resulting in the sale of the business, subject to regulatory approval.
- Achieving scale for Charles Taylor InsureTech through an expanded international footprint. Won new business from clients in Europe and Latin America and increased recurring revenues. The business delivered a close to break-even result.
- Made good progress on integrating previous acquisitions.
- Delivered substantial and sustainable growth in top-line and adjusted bottom-line growth.

**David Marock, Group Chief Executive Office, Charles Taylor plc said:**

"Charles Taylor performed well in H1 2019. We are successfully executing our strategy to grow the business. Our focus on expanding our Claims Services and InsureTech businesses was achieved through new clients wins and solid organic growth with Claims Services delivering an improved margin, and InsureTech delivering a close to break-even operating result. While revenues from Insurance Management were marginally down, we delivered an increase in profits. Together this resulted in strong growth in the Group's revenue, adjusted EBITDA and adjusted profit before tax."

## Consolidated financial highlights

For the six months ended 30 June 2019

| | | |
|---|---|---|
| Revenue | £141.7m increased by 15% | *2018: £123.4m* |
| Adjusted EBITDA[1] | £17.0m increased by 81% | *2018: £9.4m* |
| Adjusted profit before tax | £7.3m increased by 26% | *2018: £5.8m* |
| Adjusted earnings per share | 7.67p increased by 20% | *2018: 6.37p* |
| Statutory loss before tax | (£2.1m) improved by 16% | *2018: (£2.5m)[2]* |
| Statutory loss per share | (4.54p) decreased by 8% | *2018: (4.22p)* |
| Annual average net debt[3] | £68.5m increased by 40% | *2018: £49.0m* |
| Dividend per share | 3.65p increased by 5% | *2018: 3.48p* |

## Adjustments[4]

The adjustments set out below largely relate to investments and initiatives to support our growth strategy.

| | **H1 2019 Group total** | **H1 2018 Group total[2]** |
|---|---:|---:|
| **Statutory loss before tax** | **(£2.1m)** | **(£2.5m)** |
| Executing selected larger investments as part of our strategy to develop new capabilities and build our businesses | £10.5m | £5.6m |
| Refining our business operations and building capabilities to underpin growth | - | £2.8m |
| Developing new products and services – associated one-off provisions, losses and profits | £0.3m | - |
| Other non-recurring costs | - | £0.1m |
| Impact of non-controlling interests | (£1.4m) | (£0.2m) |
| **Adjusted profit before tax** | **£7.3m** | **£5.8m** |

Note: Small rounding differences arise in the total amounts above.

1. Adjusted EBITDA is adjusted profit before tax plus depreciation, amortisation (excluding £4.3m for IFRS 3), net finance costs and non-controlling interests. EBITDA growth benefits from IFRS 16 – see GCFO report. Without this the increase is £12.8m, 36%.
2. 2018 Half Year financial statements have been restated for the accounting for bonuses at Half Year. The restatement is a timing difference, with no impact on either the 2018 or the forecasted 2019 Full Year financial statements.
3. This excludes the impact of IFRS16 lease liabilities
4. Adjustments include costs considered non-recurring and expenses related to the amortisation of acquired intangible assets and post-acquisition 'earn-outs'.

**Group Chief Executive Officer's Review**

Charles Taylor performed well in H1 2019. We are successfully executing our strategy to grow the business. Our focus on expanding our Claims Services and InsureTech businesses was achieved through new clients wins and solid organic growth with Claims Services delivering an improved margin, and InsureTech delivering a close to break-even operating result. While revenues from Insurance Management were marginally down, we delivered an increase in profits. Together this resulted in strong growth in the Group's revenue, adjusted EBITDA and adjusted profit before tax.

**Group results H1 2019**

| | H1 2019 | H1 2018 | % |
|---|---|---|---|
| Revenue (£m) | 141.7 | 123.4 | +15 |
| Adjusted EBITDA (£m) | 17.0 | 9.4 | +81 |
| Adjusted profit before tax (£m) | 7.3 | 5.8 | +26 |
| Adjusted earnings per share (p) | 7.67 | 6.37 | +20 |
| Statutory loss per share (p) | (4.54) | (4.22) | -8 |

As in prior years, we have adjusted our statutory result to present a clear picture of the underlying performance of the Group. These adjustments largely relate to initiatives designed to deliver our strategic initiatives:

**Grow materially our Claims Services business across the world.** We have made several strategic acquisitions in Claims Services in recent years. These include FGR, Criterion and Metro Risk Management, which strengthened the Group's position in Latin American Claims Services, UK HNW Adjusting and US Specialist Claims Management respectively. We have also recruited additional loss adjusters in the US, UK, Europe, Middle East and Asia, with a focus on high-margin, low working-capital lines of business. These initiatives have contributed to the business' growth and positions it well for further success. We adjusted for the acquired customer amortisation and deferred consideration relating to three acquisitions, along with the Asian Property & Casualty recruitment-related costs.

**Support the sustainable growth of our Insurance Management clients.** We supported the Standard Club to grow, through its acquisition of The Strike Club. Charles Taylor Managing Agency was established in conjunction with The Standard Club, to enable The Standard Syndicate to enter the Lloyd's market. As outlined in our 2018 annual report, the syndicate went into run-off from 1 January 2019, so we have adjusted for the costs incurred by the managing agency. Following a strategic review the sale of the managing agency was agreed, subject to regulatory approval.

**Accelerate the development of our InsureTech business.** Charles Taylor InsureTech's acquisition of Inworx in H1 2018 has provided us with a strong presence in Latin America and further high-quality software solutions to market globally. We have adjusted for acquired customer amortisation and the deferred consideration relating to this acquisition.

We are confident that our growth strategy offers shareholders the greatest potential for medium to long-term growth in the Group's value, along with rising, sustainable income.

**Delivering strong overall segmental performance**

Our three core businesses drove overall strong growth in revenue and adjusted segmental operating profit for the Group overall:

**Segmental results H1 2019**

| | H1 2019 | | H1 2018 | |
|---|---|---|---|---|
| £m | Revenue | Adjusted segmental operating profit/(loss) | Revenue | Adjusted segmental operating profit/(loss) |
| Charles Taylor Claims Services | 87.3 | 5.4 | 72.5 | 4.0 |
| Charles Taylor Insurance Management | 43.9 | 5.3 | 45.5 | 4.4 |
| Charles Taylor InsureTech | 10.5 | (0.9) | 5.4 | (1.7) |
| Total | 141.7 | 9.8 | 123.4 | 6.7 |

**Charles Taylor Claims Services** delivered a strong performance, with strong growth in revenues and adjusted segmental operating profit and an increase in overall margin.

**Charles Taylor Insurance Management** performed well for our major mutual insurance company clients, enabling those clients to deliver exceptional services to their members. The business reported a small fall in revenue as a result of The Standard Syndicate being put into run-off while achieving an increase in adjusted segmental operating profit.

**Charles Taylor InsureTech** is establishing an excellent reputation in the market while it is achieving scale. It delivered a strong increase in revenue and a reduced operating loss, following a full year's contribution from Inworx, and an increased contribution from recently won major contracts for European and Latin American clients.

As Charles Taylor InsureTech is continuing to win new business both in Europe and globally, this, along with the recent client wins, is expected to benefit H2 performance.

**Maintaining a strong balance sheet**
Net debt (excluding IFRS 16) was £73.6m at the period end (FY 2018: £73.7m), largely unchanged from the year end figure. Average net debt, which better reflects the Group's borrowing levels, was £68.5m (FY 2018: £58.9m).

**Delivering a rising income for shareholders**
The Board is proposing interim dividend of 3.65p, (H1 2018: 3.48p) a 5% increase over the prior period.

**Trading in line with market expectations**
Charles Taylor performed well in H1 2019 and, in line with what we said in March, we anticipate achieving a full year performance in line with market expectations. Charles Taylor Claims Services is growing and securing new client wins, whilst Charles Taylor InsureTech is growing its reputation and achieving scale. Charles Taylor Insurance Management continues to provide a solid core with reliable revenues.

Charles Taylor is well placed to deliver further growth and greater shareholder value.

**David Marock**
**Group Chief Executive Officer**
**11 September 2019**

## BUSINESS REVIEW

### Charles Taylor Claims Services

Charles Taylor Claims Services delivered a strong performance, with growth in revenue, adjusted segmental operating profit and profit margin. Our increasing focus on collaboration and joint working across our Claims Services business resulted in new business wins and opportunities during H1.

- **Charles Taylor Adjusting** (expert assessment of complex claims), delivered a significant increase in revenue and adjusted segmental operating profit and maintained its improvement in margin from the prior year. Our focus on reducing the business's working capital requirement made progress as well.
- **Charles Taylor Specialist Claims Management** (end-to-end claims handling for insurers and insureds including data analysis), which brings together Charles Taylor's claims handling activities into a combined business, increased revenue and adjusted segmental operating profit following new business wins in the UK and USA markets.
- **Charles Taylor Assistance** (primarily medical emergencies support), which is the new name for CEGA's assistance services, achieved a steady increase in revenue and adjusted segmental operating profit.

### Building the scale of Charles Taylor Adjusting

Charles Taylor Adjusting has market-leading positions in aviation, natural resources and marine loss adjusting, as well as a growing number of niche areas of the property and casualty (P&C) market. This leadership has been underlined in H1, as we have been appointed to handle some of the global insurance markets' highest profile insurance losses.

Our strategy is to reinforce our capabilities in sectors where we are leaders, while continuing to broaden our expertise in select P&C sectors, which play to our strengths. These P&C sectors are typically less capital intensive than other product lines and typically offer more stable revenues and attractive margins.

This strategy is delivering results. The business has built on its improved performance in 2018 and has increased its revenue and adjusted segmental operating profit. Highlights include:

- **Grew our global Construction and Engineering (C&E) capability:** In H1, we built on our well-established C&E capability in the London Insurance Market by setting up a similar capability in Hong Kong, through the recruitment of several highly regarded C&E loss adjusters. These new adjusters have quickly established themselves in the market and are securing important new mandates.
- **Entered the engineering consulting market in the USA:** We have recruited individuals to provide insurance-related consulting engineering services to clients across the US and international markets. This new service complements our rapidly growing US loss adjusting capability.
- **Strengthened our P&C capabilities:** We have recruited adjusters in Belgium to target European P&C business, strengthened our liability loss adjusting capability in the UK and enhanced our P&C capabilities in Singapore. We have also expanded our presence in the media and entertainment adjusting market. We have secured additional business from clients as a consequence of these appointments.
- **Building our presence in the Middle East:** We have appointed a new head of Natural Resources in the Middle East and strengthened our P&C capabilities in Saudi Arabia.
- **Increased focus on reducing our working capital requirements**, which has delivered improved year-on-year results.
- **Committed to training and development:** We are proud that four of our marine adjusters qualified as Fellows of the Association of Average Adjusters in H1. This is the highest accolade for average adjusters and our team has significantly more Fellows than any other average adjusting business worldwide.

### Creating a powerful new force in specialist claims management

**UK & International:** In H1, we brought together our UK and International claims handling activities into a combined business unit – Charles Taylor Specialist Claims Management. This reconfigured business works with and complements our third-party administration (TPA) claims management business in the USA.

Specialist Claims Management blends the skills and experience of our travel and health claims specialists, with that of our Lloyd's and London market claims, broker services and UK TPA experts.

We offer an end-to-end specialist claims handling capability. Our proposition is to offer a global 24/7 claims service to

UK-based clients and clients linked to the London market, with the ability to work alongside and refer business to our loss adjusting business globally. We are planning to further develop the business's scope and capabilities.

The new proposition is proving attractive to clients. We were appointed to provide global end-to-end claims management services by the captive insurance company of an integrated container logistics business and the world's largest container shipping company. We also won a competitive tender to manage a leading underwriting business' Lloyd's market claims.

**Americas:** Charles Taylor Specialist Claims Management in the US (i.e., Charles Taylor TPA) performed well in H1, winning 11 new clients and entering additional market sectors. Our Latin American claims business performed steadily.

The business is now active in the end-to-end management of claims in the marine workers' compensation, general liability, marine property and D&O markets, demonstrating that its depth of expertise, systems & technology and wide geographic coverage is attractive to clients across many sectors.

Charles Taylor TPA collaborated effectively with Charles Taylor Adjusting to win the mortgage D&O claims remit for a major insurer in Canada in H1. The business was also appointed to provide risk assessment services to clients in the luxury goods and fisheries markets.

**Charles Taylor Assistance:**

Charles Taylor Assistance grew its revenue and contribution in the first half. It secured new assistance business from major UK travel and other insurers and was appointed to provide international assistance by a leading UK private medical insurer. Charles Taylor Assistance was also selected to provide Antidote, its online medical screening solution, to UK insurers. Antidote enables insurers to efficiently screen and carry out medical underwriting assessments on new and renewing customers to help deliver better results for insurers. We established a multi-lingual operation in Palma, Spain, to extend the business' services to international insurers and to further support UK clients with an overseas presence.

**Charles Taylor Insurance Management**

The business performed well for our major mutual insurance company clients, enabling those clients to deliver what we believe are exceptional services to their members. The business reported a small fall in revenue as a result of The Standard Syndicate being put into run-off, while achieving an increase in adjusted segmental operating profit.

**Focused on helping the Standard Club to achieve improved underwriting discipline and to complete a strategic acquisition**

Charles Taylor has managed The Standard Club since it was founded in 1884. The club is the world's fourth largest marine liability insurer and provides protection and indemnity (P&I) insurance to approximately 10% of the global shipping market.

Our work is focused on delivering the club's strategy, which is to provide P&I cover at the lowest sustainable premium cost, whilst providing the highest levels of services and financial security to its members. P&I insurance renews in February each year. The club's insured tonnage fell by 3% to 155m gross tons at the 2019 renewal, due to a deliberate decision by the club to focus on improving its membership quality. The club remains very well capitalised, with free reserves well in excess of regulatory and rating agency capital requirements.

Charles Taylor supported the club with its acquisition of The Strike Club, which was also managed by Charles Taylor. The Strike Club is a specialist marine delay insurer with around 120 members and over 2,000 ships. The transaction, which is viewed as positive for both clubs, added around $18m to The Standard Club's balance sheet.

**Grew Signal Mutual and strengthened operations**

Signal Mutual ("Signal") is the largest provider of Longshore workers' compensation insurance to the US maritime industry. Charles Taylor has been the manager of Signal since it was founded in 1986.

Our work enabled Signal to perform well for its members in H1 2019. The mutual has been enjoying a record year, with members' payroll (on which premiums are based) at its highest ever level. Seven new members have joined Signal since the October 2018 renewal, with many existing members experiencing growth in their businesses. Safeshore, the Longshoreman workers' compensation small account programme which we established for Signal in 2014, also continued to grow. To support this overall growth, we have strengthened our operations team to accommodate and service this growth, appointing a new chief actuary, an operations and performance director and a safety management senior vice president.

Charles Taylor supported Signal to establish and launch Sage Adjusting in H2 2018, a new workers' compensation claims TPA business. This brought together, through a series of carefully managed acquisitions, Signal's four largest, independent third-party claims handling businesses, including the longshore claims business of Charles Taylor TPA. Charles Taylor has a material stake in the combined business and provides management and support services to it.

**Completed Charles Taylor Managing Agency's strategic review**
As explained in our 2018 annual report, we conducted a strategic review of Charles Taylor Managing Agency. We announced the sale of the managing agency, subject to regulatory approval, in September 2019.

**Delivered steady performance of Insurance Management's other businesses**
The Group's life insurance management business, investment management and captive businesses performed in line with management's expectations.

**Charles Taylor InsureTech**
Charles Taylor InsureTech is becoming an established and recognised force in the global insurance technology market. We provide enterprise solutions to major insurance markets and help insurers, brokers, MGAs and captive managers to drive change in their business models in Europe the USA and Latin America.

**Delivering repeatable revenues:** The business nearly doubled its revenue year-on-year and delivered a close to break-even operating result. It benefited from a full year's contribution from Inworx and increased organic revenue through a series of material contract wins.

Around 65% of Charles Taylor InsureTech's revenue is recurring from software licences and SaaS solutions. For example, Trax, Charles Taylor InsureTech's SaaS claims workflow platform, used by leading insurers, now handles claims arising from £6 billion of premiums written through Lloyd's.

**Secured new business:** In H1 2019 Charles Taylor InsureTech was appointed to deliver the implementation of a core operating platform for Seguros Sura in Chile. As mentioned in the 2018 Annual Report, we secured contracts during H1 2019 to drive the digital transformation of a major Dutch insurer, Coöperatie Dela, and to implement the Smartix quote-and-bind solution for a UK-based client. The Dela digital transformation project has now moved into full implementation, and we have won two further UK-based clients for Smartix. In addition, Charles Taylor InsureTech secured new business for its Trax claims workflow platform from two Lloyd's managing agents. We are also in the process of implementing a new proprietary underwriting authority solution for one of the world's top 20 insurance groups and our workflow and document management solution for a global broker.

**Expanding international capabilities:** Inworx has been fully integrated and is trading as Charles Taylor InsureTech across Latin America. We are further developing the software acquired with Inworx and marketing it successfully into global markets.

**Driving regional growth:** We have expanded into the Middle East including opening an additional office in Dubai and appointed a managing director for the region in June 2019, to tap into the rapidly growing demand for insurance technology solutions across the MENA region.

**Increasing group efficiency:** Charles Taylor InsureTech provides the Group's internal technology platforms and solutions. A programme to enhance the Group's operating platform is being delivered. For example, our cloud-based solution has enabled mobile working for most of our global workforce together with increased security.

**Group Chief Financial Officer's Report**

The results for the period are summarised in the table below and explained in more detail in the Group Chief Executive Officer's review.

**Group results H1 2019**

| £m | Claims Services | Insurance Management | InsureTech | Total | Other | H1 2019 Group | H1 2018 Group |
|---|---|---|---|---|---|---|---|
| Revenue | 87.3 | 43.9 | 10.5 | 141.7 | - | 141.7 | 123.4 |
| Other expenses[1] | (79.7) | (36.4) | (8.9) | (125.0) | - | (125.0) | (113.5) |
| Depreciation and amortisation[2] | (2.2) | (2.2) | (2.5) | (6.9) | - | (6.9) | (3.1) |
| **Adjusted segmental operating profit** | **5.4** | **5.3** | **(0.9)** | **9.8** | **-** | **9.8** | **6.8** |
| Depreciation and amortisation[2] | 2.2 | 2.2 | 2.5 | 6.9 | - | 6.9 | 3.1 |
| Share of profit of Associates | - | - | - | - | 0.3 | 0.3 | (0.5) |
| **Adjusted EBITDA** | **7.6** | **7.5** | **1.6** | **16.7** | **0.3** | **17.0** | **9.4** |
| Depreciation and amortisation[2] | | | | | | (6.9) | (3.1) |
| Net finance costs | | | | | | (1.4) | (0.3) |
| Non-controlling interests | | | | | | (1.4) | (0.2) |
| **Adjusted profit before tax** | | | | | | **7.3** | **5.8** |

1. See Note 3 for statutory figures
2. Depreciation and amortisation excludes £4.3m in respect of IFRS 3 (customer relationships, intellectual property and brand names) which is not allocated by segment.

**Adjustments**

Our strong growth in H1 2019 adjusted profits before tax to £7.3m (2018: £5.8m) is not reflected in our H1 statutory result. Consistent with prior periods, we adjusted the statutory result to present a clear picture of the underlying performance of Charles Taylor in H1 2019. This includes adjustments and eliminations relating to acquisitions and developing new products and services (with associated provisions and write-offs). The adjustments are made up as follows:

- Executing selected larger investments as part of our strategy to develop new capabilities and build our businesses (total adjustment: £10.5m) – We have benefited from prior year acquisitions. We have adjusted for amortisation relating to intangibles acquired (£4.3m), earnout (£3.4m) and acquisition-type costs (£2.8m) in respect of legal fees and employee remuneration costs. There was a year-on-year increase in amortisation and earnout for the acquisition of FGR and Inworx.

- Developing new products and services (total adjustment: £0.3m)–we have adjusted for losses associated with our investment in developing a Lloyd's managing agency as The Standard Syndicate is now in run-off.

The increase in the adjustment for non-controlling interests (£1.4m) largely relates to the roll-out of a delegated authority reporting solution for the Lloyd's market, where an Associate owns a substantial minority interest in the underlying software's intellectual property (IP).

**Prior period restatement**

During the period the Group identified a need for a prior period restatement relating to the accounting for bonuses at Half Year. This restatement impacts the 2018 Half Year financial statements through a timing difference, with no impact on either the 2018 Full Year financial statements or the previously reported Adjusted and Statutory profits for 2018. The Group has restated the financial statements for the period ended 30 June 2018. Specifically, Trade and other receivables have been reduced by £2.7m and Administrative expenses have been increased by £2.7m to £121.9m. The condensed consolidated financial statements have been restated to reflect the impact of these amounts. There is no impact in respect of the above on the full year financial statements.

In accordance with IFRS 9, as disclosed within the financial statements for the year ended 31 December 2018, the Group reviewed and assessed existing financial assets as at 1 January 2018 for impairment using reasonable and supportable information that was available without undue cost or effort to determine the credit risk. An additional credit allowance of £1.8m was recognised against accumulated losses as at 1 January 2018. This has resulted in the Condensed Consolidated Balance Sheet and Condensed Consolidated Statement of Changes in Equity as at 30 June 2018 being restated.

**Accounting polices**

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of IFRS 16 Leases which replaces IAS 17. The Group has applied the simplified transition approach and will not restate comparative amounts for the year prior to adoption nor account for short leases (12 months or less) or immaterial leases (valued at £5k or lower).

Lease agreements give rise to both a right-of-use asset and a lease liability for future lease payables. Right-of-use assets have been measured on transition at the amount of the lease liability on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. The liabilities were measured at the present value of the remaining lease payments, discounted using the Incremental Borrowing Rate ("IBR") applicable to that lease, as at 1 January 2019. The weighted average of the Group's IBR applied to the lease liabilities on 1 January 2019 was 4.3%. Depreciation of the right-of-use asset is recognised in the Income Statement on a straight-line basis, with interest recognised on the lease liability.

As highlighted in the financial statements for the year ended 31 December 2018, the Group's most significant lease relates to The Minster Building, London, which contributed approximately £43.0m (£35.3m net of previously recognised deferred lease liabilities), or 80% of the total lease liability on adoption at 1 January 2019.

The impact on the 2019 Half Year financial statements includes £4.2m increase in EBITDA as lower rental expense increases operating profit; this is offset by the increase in depreciation and interest resulting in a small improvement to overall statutory loss before tax of £0.2m.

**Net debt, cash flow and financing**

Net debt (excluding IFRS 16) at the half year was £73.6m (H1 2018: £52.7; FY 2018: £73.7m) and average net debt was £68.5m (H1 2018: £49.0m; FY 2018: £58.9m). Year-on-year increases arise from additional revenue growth-related adjusting working capital, an increase in capital expenditure and investments (i.e., Fadata and FGR). We anticipate net debt at the year-end to be in line with market expectations.

The Group's total available facilities of £96.1m include senior banking facilities which comprise a revolving credit facility (increased from £85m at year end to £87m), UK overdrafts with RBS and HSBC £5m and local facilities Hong Kong and Canada £4.1m (Sterling equivalent).

**Retirement benefit schemes**

The deficit on the Group's pension schemes at 30 June 2019 was £32.7m, net of deferred tax £27.2m, compared with £34.3m at the year end, net of deferred tax £28.5m. The slight reduction is largely due to the payment of deficit funding contributions by the Company and good investment returns, offset by a reduction in the discount rate, which has the effect of increasing the value placed on the schemes' liabilities.

**Dividend**
An interim dividend of 3.65p per share (H1 2018: 3.48p) has been declared and will be paid on 8 November 2019 to shareholders on the register on 11 October 2019.

**Foreign exchange**
The Group manages its exposure to foreign currency fluctuations by use of forward foreign exchange contracts and options to sell currency in the future.  The contracts open during the year were put in place to protect the Group's exposure to movements between US$ and Sterling.

**Taxation**
The Group recognises taxation based on management's estimate of the weighted average annual income tax rate expected for the full financial year on the Group's operating profits (which is expected to be within the range of 17% to 21%), together with management's estimate of the impact of non-tax deductible expenses on the statutory tax charge. The most significant non-tax deductible expense are remuneration paid to employees and former executive shareholders of subsidiaries acquired by the group who remain actively engaged in the business and acquisition costs. The impact of these non-tax deductible expenses is a tax charge of £0.3m on a loss before tax of £2.1m (30 June 2018: tax charge of £0.3m on a loss before tax of £2.5m).

**Going concern**
The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, being a period of not less than 12 months from the date of this report.  Accordingly, they continue to adopt the going concern basis in preparing the condensed financial statements.

**Mark Keogh**
**Group Chief Financial Officer**
**11 September 2019**

# Condensed Consolidated Income Statement

| | Note | **Six months to 30 June 2019 £000 (Unaudited)** | Six months to 30 June 2018 £000 (Unaudited) Restated[1] | Year to 31 December 2018 £000 (Audited) |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Revenue from Professional Services | | **138,852** | 119,799 | 255,037 |
| Revenue from Owned Insurance Companies | | | | |
| Gross revenue | | **3,556** | 3,932 | 9,287 |
| Outward reinsurance premiums | | **(728)** | (333) | (763) |
| Net revenue from Owned Insurance Companies | | **2,828** | 3,599 | 8,524 |
| **Total revenue** | 3 | **141,680** | 123,398 | 263,561 |
| Expenses from Owned Insurance Companies | | | | |
| Claims (incurred) / recovered | | **(28,510)** | 11,634 | 43,364 |
| Reinsurance (costs) / recoveries | | **(986)** | 283 | 393 |
| Other gains / (losses) from insurance activities | | **30,119** | (12,086) | (43,561) |
| Net operating expenses | | **(3,283)** | (3,055) | (7,702) |
| Net expenses | | **(2,660)** | (3,224) | (7,506) |
| Administrative expenses | | **(139,110)** | (121,893) | (256,697) |
| Gain on disposal | | **–** | – | 4,107 |
| Net impairment losses on non-current and current assets | 4 | **(915)** | – | (5,097) |
| Share of profit / (loss) of associates | | **277** | (477) | (386) |
| **Operating loss** | | **(728)** | (2,196) | (2,018) |
| Investment and other income | | **1,152** | 745 | 1,635 |
| Finance costs | | **(2,573)** | (1,063) | (2,886) |
| **Loss before tax** | | **(2,149)** | (2,514) | (3,269) |
| Income tax (expense) / credit | 5 | **(279)** | (308) | 603 |
| **Loss for the period from continuing operations** | | **(2,428)** | (2,822) | (2,666) |
| Attributable to: | | | | |
| Owners of the Company | | **(3,502)** | (3,006) | (3,652) |
| Non-controlling interests | | **1,074** | 184 | 986 |
| | | **(2,428)** | (2,822) | (2,666) |
| **Loss per share from continuing operations** | | | | |
| Basic loss per share (p) | 7 | **(4.54)** | (4.22) | (4.94) |
| Diluted loss per share (p) | 7 | **(4.54)** | (4.22) | (4.94) |

1 Restated as set out in Note 2.

# Condensed Consolidated Statement of Comprehensive Income

| | **Six months to 30 June 2019 £000 (Unaudited)** | Six months to 30 June 2018 £000 (Unaudited) Restated[1] | Year to 31 December 2018 £000 (Audited) |
|---|---|---|---|
| Loss for the period | **(2,428)** | (2,822) | (2,666) |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Actuarial (losses) / gains on defined benefit pension schemes | **(1,562)** | 8,595 | 6,130 |
| Tax on items taken directly to equity | **(266)** | (1,950) | (1,780) |
| | **(1,828)** | 6,645 | 4,350 |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Exchange differences on translation of foreign operations | **411** | (108) | 2,027 |
| Gains / (losses) on cash flow hedges | **142** | (516) | (472) |
| | **553** | (624) | 1,555 |
| **Other comprehensive (loss) / income for the period, net of tax** | **(1,275)** | 6,021 | 5,905 |
| **Total comprehensive (loss) / income for the period** | **(3,703)** | 3,199 | 3,239 |
| Attributable to: | | | |
| Owners of the Company | **(4,808)** | 3,008 | 2,183 |
| Non-controlling interests | **1,105** | 191 | 1,056 |
| | **(3,703)** | 3,199 | 3,239 |

1 Restated as set out in Note 2.

# Condensed Consolidated Balance Sheet

| | Note | At 30 June 2019 £000 (Unaudited) | At 30 June 2018 £000 (Unaudited) Restated[1] | At 31 December 2018 £000 (Audited) |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Goodwill | | **70,231** | 71,760 | 70,212 |
| Other intangible assets | | **52,299** | 54,621 | 55,323 |
| Property, plant and equipment | | **16,579** | 17,155 | 16,394 |
| Right-of-use asset | 2 | **41,968** | – | – |
| Investments | | **2,347** | 1,000 | 2,320 |
| Financial assets | | **12,584** | 8,422 | 10,615 |
| Deferred tax assets | | **11,838** | 9,040 | 10,950 |
| **Total non-current assets** | | **207,846** | 161,998 | 165,814 |
| **Current assets** | | | | |
| Total assets in insurance businesses | | **926,814** | 1,030,660 | 913,942 |
| Trade and other receivables | | **117,816** | 103,801 | 107,239 |
| Cash and cash equivalents | 12 | **217,178** | 158,317 | 169,974 |
| **Total current assets** | | **1,261,808** | 1,292,778 | 1,191,155 |
| **Total assets** | | **1,469,654** | 1,454,776 | 1,356,969 |
| **Current liabilities** | | | | |
| Total liabilities in insurance businesses | | **912,910** | 1,017,846 | 899,660 |
| Provisions | | **891** | – | 1,931 |
| Trade and other payables | | **81,802** | 79,677 | 57,493 |
| Deferred consideration | | **2,275** | 3,674 | 1,558 |
| Current tax liabilities | | **3,185** | 2,147 | 2,544 |
| Borrowings | 12 | **14,534** | 15,218 | 17,075 |
| Lease liabilities | 2 | **3,789** | – | – |
| Client funds | 12 | **190,048** | 133,684 | 145,721 |
| **Total current liabilities** | | **1,209,434** | 1,252,246 | 1,125,982 |
| **Net current assets** | | **52,374** | 40,532 | 65,173 |
| **Non-current liabilities** | | | | |
| Borrowings | 12 | **86,157** | 62,101 | 80,909 |
| Lease liabilities | 2 | **48,253** | – | – |
| Deferred tax liabilities | | **7,158** | 7,779 | 7,911 |
| Retirement benefit obligations | 14 | **32,734** | 33,249 | 34,277 |
| Provisions | | **602** | 2,164 | 275 |
| Trade and other payables | | **928** | – | 13,503 |
| Deferred consideration | | 4,064 | 5,342 | 5,135 |
| **Total non-current liabilities** | | **179,896** | 110,635 | 142,010 |
| **Total liabilities** | | **1,389,330** | 1,362,881 | 1,267,992 |
| **Net assets** | | **80,324** | 91,895 | 88,977 |
| **Equity** | | | | |
| Share capital | 10 | **779** | 772 | 776 |
| Share premium account | | **90,364** | 88,890 | 89,702 |
| Merger reserve | | **11,721** | 11,721 | 11,721 |
| Capital reserve | | **662** | 662 | 662 |
| Own shares | | **(639)** | (471) | (567) |
| Accumulated losses | | **(26,135)** | (11,622) | (16,085) |
| **Equity attributable to owners of the Company** | | **76,752** | 89,952 | 86,209 |
| Non-controlling interests | | **3,572** | 1,943 | 2,768 |
| **Total equity** | | **80,324** | 91,895 | 88,977 |

1 Restated as set out in Note 2.

The financial statements were approved by the Board of Directors and authorised for issue on 11 September 2019.

**Mark Keogh**
**Director**
11 September 2019

# Condensed Consolidated Cash Flow Statement

| | Note | **Six months to 30 June 2019 £000 (Unaudited)** | Six months to 30 June 2018 £000 (Unaudited) Restated[2] | Year to 31 December 2018 £000 (Audited) |
|---|---|---|---|---|
| **Net cash from operating activities** | 11 | **59,356** | 30,973 | 44,046 |
| **Investing activities** | | | | |
| Interest received | | **697** | 334 | 921 |
| Proceeds on disposal of property, plant and equipment | | **–** | 149 | – |
| Purchases of property, plant and equipment | | **(1,656)** | (4,620) | (10,497) |
| Purchases of other intangible assets | | **(3,745)** | (2,722) | (6,034) |
| Purchase of investments and own shares | | **(1,150)** | (3,420) | (6,496) |
| Proceeds from sale of investments | | **–** | – | 745 |
| Acquisition of subsidiaries – net of cash acquired | | **–** | (15,736) | (21,531) |
| Payment of deferred consideration | | **(197)** | (229) | (2,437) |
| **Net cash used in investing activities** | | **(6,051)** | (26,244) | (45,329) |
| **Financing activities** | | | | |
| Proceeds from issue of shares | | **–** | 17,505 | 17,123 |
| Dividends paid | 6 | **(6,263)** | (5,296) | (7,969) |
| Repayments of obligations under finance leases | | **–** | (27) | (28) |
| Borrowings / (repayments) under existing facility | 12 | **7,057** | (4,048) | 16,985 |
| Principal elements of lease payments | | **(2,164)** | – | – |
| Decrease in bank overdrafts | 12 | **(4,350)** | (582) | (593) |
| **Net cash (used in) / generated from financing activities** | | **(5,720)** | 7,552 | 25,518 |
| **Net increase in cash and cash equivalents** | | **47,585** | 12,281 | 24,235 |
| Cash and cash equivalents at beginning of period | | **169,974** | 146,057 | 146,057 |
| Effect of foreign exchange | | **(381)** | (21) | (318) |
| **Cash and cash equivalents at end of period[1]** | 12 | **217,178** | 158,317 | 169,974 |

1 Cash and cash equivalents includes client funds of £190.0m (30 June 2018: £133.7m, 31 December 2018: £145.7m).

2 Restated as set out in Note 2.

# Condensed Consolidated Statement of Changes in Equity

| | Share capital £000 | Share premium account £000 | Merger reserve £000 | Capital reserve £000 | Own shares £000 | Accumulated losses £000 | Non-controlling interests £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2019 | **776** | **89,702** | **11,721** | **662** | **(567)** | **(16,085)** | **2,768** | **88,977** |
| Issue of share capital | **3** | – | – | – | – | – | – | **3** |
| Share premium arising on issue of share capital | – | **662** | – | – | – | – | – | **662** |
| (Loss) / profit for the financial period | – | – | – | – | – | **(3,502)** | **1,074** | **(2,428)** |
| Dividends paid (note 6) | – | – | – | – | – | **(6,263)** | – | **(6,263)** |
| Actuarial loss on defined benefit pension schemes | – | – | – | – | – | **(1,562)** | – | **(1,562)** |
| Tax on items taken to equity | – | – | – | – | – | **(266)** | – | **(266)** |
| Gains on cash flow hedges | – | – | – | – | – | **142** | – | **142** |
| Foreign currency exchange differences | – | – | – | – | – | **382** | **29** | **411** |
| Movement in share-based payments | – | – | – | – | – | **795** | – | **795** |
| Net movement in own shares | – | – | – | – | **(72)** | – | – | **(72)** |
| Other movements | – | – | – | – | – | **224** | **(299)** | **(75)** |
| **At 30 June 2019 (unaudited)** | **779** | **90,364** | **11,721** | **662** | **(639)** | **(26,135)** | **3,572** | **80,324** |
| At 1 January 2018 previously reported | 689 | 73,781 | 6,872 | 662 | (369) | (5,136) | 1,781 | 78,280 |
| Restatements previously reported [1, 2] | – | (2,323) | 2,323 | – | – | (133) | – | (133) |
| At 1 January 2018 restated | 689 | 71,458 | 9,195 | 662 | (369) | (5,269) | 1,781 | 78,147 |
| Adoption of IFRS 9 [3] | – | – | – | – | – | (1,761) | – | (1,761) |
| Adoption of IFRS 15 | – | – | – | – | – | (2,353) | – | (2,353) |
| **At 1 January 2018 adjusted** | 689 | 71,458 | 9,195 | 662 | (369) | (9,383) | 1,781 | 74,033 |
| Issue of share capital | 83 | – | – | – | – | – | – | 83 |
| Share premium arising on placing | – | 17,100 | – | – | – | – | – | 17,100 |
| Share premium arising on issue of shares in respect of acquisitions/deferred consideration | – | 2,858 | – | – | – | – | – | 2,858 |
| Merger reserve arising on acquisition | – | (2,526) | 2,526 | – | – | – | – | – |
| Loss for the financial year [4] | – | – | – | – | – | (3,006) | 184 | (2,822) |
| Dividends paid (note 6) | – | – | – | – | – | (5,296) | – | (5,296) |
| Actuarial gains on defined benefit pension schemes (note 14) | – | – | – | – | – | 8,595 | – | 8,595 |
| Tax on items taken to equity | – | – | – | – | – | (1,950) | – | (1,950) |
| Losses on cash flow hedges | – | – | – | – | – | (516) | – | (516) |
| Foreign currency exchange differences | – | – | – | – | – | (116) | 8 | (108) |
| Movement in share-based payments | – | – | – | – | – | (213) | – | (213) |
| Net movement in own shares | – | – | – | – | (102) | – | – | (102) |
| Other movements | – | – | – | – | – | 263 | (30) | 233 |
| **At 30 June 2018 restated (unaudited)** | 772 | 88,890 | 11,721 | 662 | (471) | (11,622) | 1,943 | 91,895 |

1 £2.3m has been reclassified to the Merger Reserve from Share Premium to reflect that the fair value of the shares issued over and above the par value in respect of the acquisitions of Knowles Loss Adjusters in May 2014 and CEGA in August 2016, both qualified for merger relief in accordance with s612 of the Companies Act 2006.

2 The accumulated losses have been restated as a result of the remeasurement of assets acquired and liabilities assumed as part of the Criterion acquisition as permitted under IFRS 3 (revised).

3 Accumulated losses has been restated as at 30 June 2018 to reflect the impact of IFRS 9, consistent with the year end financial statements. Refer to Note 2.

4 Restated as set out in Note 2.

The capital and merger reserve arose on formation of the Group and are non-distributable capital reserves. £4.8m of the merger reserve relates to merger relief in respect of acquisitions. Own shares comprise 285,375 (30 June 2018: 449,436; 31 December 2018: 949,645) shares held by the Charles Taylor Employee Share Ownership Plan Trust (ESOP). The market value of these shares was £0.6m (30 June 2018: £1.4m; 31 December 2018: £2.1m) at the balance sheet date. The trustee of the ESOP is Summit Trust International SA, an independent professional trust company registered in Switzerland. The ESOP is a discretionary trust for the benefit of employees of the Group and provides a source of shares to distribute to the Group's employees (including executive directors and officers) under the Group's various bonus and incentive schemes, at the discretion of the trustee acting on the recommendation of a committee of the Board. The assets, liabilities, income and costs of the ESOP are incorporated into the condensed set of financial statements.

There are no significant restrictions on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans or advances other than company law requirements dealing with distributable profits, and in the case of the insurance companies' regulatory permissions and solvency limits.

# Notes to the Condensed Set of Financial Statements

**1. GENERAL INFORMATION**

These condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2018 were approved by the Board of Directors on 19 March 2019 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

These condensed consolidated interim financial statements have been reviewed, not audited.

**2. ACCOUNTING POLICIES**

**Basis of preparation**

These condensed consolidated interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and 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 financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

**Going concern**

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed financial statements.

**Prior period restatements**

**Accounting for bonuses**

During the period the Group identified a need for a prior period restatement relating to the accounting for bonuses at Half Year. This restatement impacts the 2018 Half Year financial statements as a timing difference, with no impact on either the 2018 Full Year financial statements or the previously reported Adjusted and Statutory profits for 2018. Upon identifying, the Group has restated the financial statements for the period ended 30 June 2018. Specifically, Trade and other receivables have been reduced by £2.7m and Administrative expenses have been increased by £2.7m to £121.9m. The condensed consolidated financial statements have been restated to reflect the impact of these amounts. Loss per share has changed from 0.38p previously reported to 4.22p. There is no impact in respect of the above on the full year financial statements.

**IFRS 9: Financial Instruments**

As disclosed within the financial statements for the year ended 31 December 2018, as at 1 January 2018, the Group reviewed and assessed existing financial assets for impairment using reasonable and supportable information that was available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk. An additional credit allowance of £1.8m was recognised against accumulated losses.

| | 2019<br>£000 |
|---|---|
| Amount restated through retained earnings in respect of trade and other receivables | **500** |
| Amount restated through retained earnings in respect of financial assets | **1,261** |
| Movement in reserves | **1,761** |

This has resulted in the Condensed Consolidated Balance Sheet and the Condensed Consolidated Statement of Changes in Equity as at 30 June 2018 being restated.

**Accounting policies**

The accounting policies adopted are consistent with those of the previous financial year except as described below.

**IFRS 16 Leases**

Lease agreements give rise to both a right-of-use asset and a lease liability for future lease payables. Depreciation of the right-of-use asset is recognised in the Income Statement on a straight line basis, with interest recognised on the lease liability.

IFRS 16 'Leases' replaces IAS 17 and relates to the classification, measurement and recognition of leases with the objective of ensuring that lessees and lessors provide more relevant information and reflects the reality of those transactions.

The Group has applied the simplified transition approach and will not restate comparative amounts for the year prior to adoption. Right-of-use assets have been measured on transition at the amount of the lease liability on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. The Group has not accounted for short leases (12 months or less) or immaterial leases (valued at £5k or lower).

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases in accordance with IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Incremental Borrowing Rate ('IBR'), applicable to that lease, as at 1 January 2019. The weighted average of the Group's IBR applied to the lease liabilities on 1 January 2019 was 4.3%.

As highlighted in the financial statements for the year ended 31 December 2018, the Group's most significant lease relates to The Minster Building, London. This lease contributed approximated £43.0m (£35.3m net of previously recognised deferred lease liabilities), or 80%, of the total lease liability on adoption at 1 January 2019.

The recognised right-of-use assets relate to the following types of assets:

| | 2019<br>£000 |
|---|---|
| Operating lease commitments as at 31 December 2018 | **72,847** |
| (Less): short-term leases recognised on a straight-line basis as expense | **(181)** |
| Add: adjustments as a result of a different treatment of extension and termination options | **324** |
| Add: adjustments for leases committed but not yet commenced | **767** |
| Discounted using the lessee's incremental borrowing rate at the date of initial application | **(21,342)** |
| **Lease liability recognised as at 1 January 2019** | **52,413** |
| Of which: | |
| Current lease liabilities | **2,031** |
| Non-current lease liabilities | **50,382** |
| | **52,413** |

The recognised right-of-use assets relate to the following types of assets:

| | 30 June<br>2019<br>£000 | 1 January<br>2019<br>£000 |
|---|---|---|
| Leasehold properties | 41,565 | 43,986 |
| Equipment and motor vehicles | 403 | 494 |
| **Total right-of-use assets** | **41,968** | **44,480** |

The right-of-use asset presented above is disclosed net of accrued lease payments in the balance sheet as at 1 January 2019.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

| | 1 January<br>2019<br>- pre IFRS 16<br>£000 | Application of<br>IFRS 16<br>£000 | 1 January<br>2019<br>- restated<br>£000 |
|---|---|---|---|
| Right of use assets | – | **44,480** | **44,480** |
| Lease Liabilities (Current) | – | **(2,031)** | **(2,031)** |
| Trade and other payables (non-current) | **(13,503)** | **10,408** | **(3,095)** |
| Lease liabilities (non-current) | – | **50,382** | **50,382** |

**Cash flow statement**

There is a presentational change in the Cash Flow Statements a result of adopting IFRS 16. Operating cash flows are higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented in operating cash flows.

**EBITDA**

EBITDA has increased by £4.2m for the six months to 30 June 2019 as a results of the adoption of IFRS 16.

## 3. SEGMENTAL INFORMATION

**Identification of segments**

As set out within the 2018 Annual Report and Accounts we have revisited our business structure and refined and clarified our strategy in 2019. The Group's proposition for clients spans three areas, and for management and internal reporting purposes the Group is currently organised into three operating businesses, all of which are considered to be professional services businesses, with Owned Life Insurers being presented within Insurance Management.

- Claims Services – delivers loss adjusting, end-to-end claims programme management and related technical services that combine technical expertise, process efficiency and technology solutions to optimise claims outcomes for our clients.
- Insurance Management – offers end-to-end management of mutual insurers, captives, life insurers Lloyd's syndicates and other insurance programmes for capital providers under a model of long-term partnership. This business also acquires and consolidates international life business.
- InsureTech – offers a full suite of technology solutions for insurers, brokers, MGAs and insurance-related affinity businesses which enable our clients to transform their operating models and customer experience.

Management information about these businesses is regularly provided to the Group's chief operating decision maker to assess their performance and to make decisions about the allocation of resources. Accordingly, these businesses correspond with the Group's operating segments under IFRS 8 Operating Segments. Businesses forming part of each business which might otherwise qualify as reportable operating segments have been aggregated where they share similar economic characteristics and meet the other aggregation criteria in IFRS 8.

**Measurement of segmental results and assets**

Transactions between reportable segments are accounted for on the basis of the contractual arrangements in place for the provision of goods or services between segments and in accordance with the Group's accounting policies. Reportable segment results and assets are also measured on a basis consistent with the Group's accounting policies. Operating profit for the individual segments includes an allocation of central costs. The Adjustments column includes elimination of inter-segment revenue, share of results of associates and the adjustments set out in the Financial Review. Reconciliations of segmental results to the Group profit before tax are set out below.

**Information about major customers**

The Group derived revenue within its Insurance Management business of £21.2m (to 30 June 2018: £20.7m, full year 2018: £40.3m) from one external customer which accounts for more than 10% of Group revenue.

| **Six months to 30 June 2019** | **Claims Services £000** | **Insurance Management £000** | **InsureTech £000** | **Group £000** |
|---|---|---|---|---|
| Revenue from external clients | 87,242 | 41,100 | 10,510 | 138,852 |
| Revenue from other operating segments | – | 2,828 | – | 2,828 |
| **Total revenue** | **87,242** | **43,928** | **10,510** | **141,680** |
| Depreciation and amortisation | (2,237) | (2,188) | (2,491) | (6,916) |
| Other expenses | (86,307) | (37,327) | (11,858) | (135,492) |
| **Operating (loss) / profit** | **(1,302)** | **4,413** | **(3,839)** | **(728)** |
| Investment and other income | | | | 1,152 |
| Finance costs | | | | (2,573) |
| **Loss before tax** | | | | **(2,149)** |

Depreciation and amortisation presented above excludes amortisation relating to Customer Relationships, Intellectual Property and Brand Names of £4.3m which is included within other expenses.

| Six months to 30 June 2018 (restated) | Claims Services £000 | Insurance Management £000 | InsureTech £000 | Group £000 |
|---|---|---|---|---|
| Revenue from external clients | 72,541 | 41,865 | 5,393 | 119,799 |
| Revenue from other operating segments | – | 3,599 | – | 3,599 |
| **Total revenue** | **72,541** | **45,464** | **5,393** | **123,398** |
| Depreciation and amortisation | (652) | (676) | (1,795) | (3,123) |
| Other expenses | (73,330) | (42,565) | (6,576) | (122,471) |
| **Operating (loss) / profit** | **(1,441)** | **2,223** | **(2,978)** | **(2,196)** |
| Investment and other income | | | | 745 |
| Finance costs | | | | (1,063) |
| **Loss before tax** | | | | **(2,514)** |

Depreciation and amortisation presented above excludes amortisation relating to Customer Relationships, Intellectual Property and Brand Names of £3.5m which is included within other expenses.

| Year to 31 December 2018 | Claims Services £000 | Insurance Management £000 | InsureTech £000 | Group £000 |
|---|---|---|---|---|
| Revenue from external clients | 154,130 | 83,607 | 17,300 | 255,037 |
| Revenue from other operating segments | – | 8,524 | – | 8,524 |
| **Total revenue** | **154,130** | **92,131** | **17,300** | **263,561** |
| Depreciation and amortisation | (1,469) | (1,502) | (3,926) | (6,897) |
| Other expenses | (152,204) | (86,775) | (19,703) | (258,682) |
| **Operating (loss) / profit** | **457** | **3,854** | **(6,329)** | **(2,018)** |
| Investment and other income | | | | 1,635 |
| Finance costs | | | | (2,886) |
| **Loss before tax** | | | | **(3,269)** |

Depreciation and amortisation presented above excludes amortisation relating to Customer Relationships, Intellectual Property and Brand Names of £7.8m which is included within other expenses.

| Consolidated Balance Sheet | **At 30 June 2019 £000** | At 30 June 2018 £000[1] | At 31 December 2018 £000 |
|---|---|---|---|
| Claims Services | **210,080** | 178,436 | 193,168 |
| Insurance Management | **983,926** | 1,094,879 | 957,555 |
| InsureTech | **58,340** | 63,702 | 55,155 |
| Unallocated assets and eliminations | **217,308** | 117,759 | 151,091 |
| **Total assets** | **1,469,654** | 1,454,776 | 1,356,969 |
| – Non-current assets | **207,846** | 161,998 | 165,814 |
| – Current assets | **1,261,808** | 1,292,778 | 1,191,155 |
| **Total assets** | **1,469,654** | 1,454,776 | 1,356,969 |
| Current liabilities | **(1,207,159)** | (1,248,572) | (1,124,424) |
| Deferred consideration | **(2,275)** | (3,674) | (1,558) |
| **Net current assets** | **52,374** | 40,532 | 65,173 |
| Non-current liabilities | **(175,832)** | (105,293) | (136,875) |
| Deferred consideration | **(4,064)** | (5,342) | (5,135) |
| **Total liabilities** | **(1,389,330)** | (1,362,881) | (1,267,992) |
| **Net assets** | **80,324** | 91,895 | 88,977 |
| Non-controlling interests | **(3,572)** | (1,943) | (2,768) |
| **Equity attributable to owners of the Company** | **76,752** | 89,952 | 86,209 |

1 Restated as set out in Note 2.

| | Revenue | | | Non-current assets[2] | | |
|---|---|---|---|---|---|---|
| Geographical information | **Six months to 30 June 2019** | Six months to 30 June 2018 | Year to 31 December 2018 | **At 30 June 2019** | At 30 June 2018 | At 31 December 2018 |
| United Kingdom | **58,668** | 55,799 | 116,151 | **148,708** | 99,693 | 106,103 |
| Other Europe | **8,782** | 9,548 | 21,022 | **2,567** | 3,795 | 2,972 |
| Middle East | **2,790** | 2,313 | 5,120 | **105** | 117 | 107 |
| North America | **12,703** | 10,834 | 24,369 | **11,451** | 11,506 | 11,534 |
| Central and South America | **17,633** | 5,054 | 19,078 | **30,594** | 35,056 | 31,242 |
| Asia-Pacific | **9,736** | 8,753 | 17,541 | **2,501** | 1,954 | 2,053 |
| Bermuda | **31,368** | 31,097 | 60,280 | **848** | 837 | 853 |
| | **141,680** | 123,398 | 263,561 | **196,776** | 152,958 | 154,864 |

1 Restated as a result of adopting IFRS 9 (see Note 2).
2 Excluding deferred tax.

## 4. NET IMPAIRMENT LOSSES ON NON-CURRENT AND CURRENT ASSETS

During the period the Group has recognised an Expected Credit Loss of £0.6m in respect of Trade and Other Receivables in the ordinary course of business, and £0.3m as a provision for future losses associated with the 1884 Syndicate being placed in run-off.

## 5. INCOME TAX EXPENSE

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year on the Group's operating profits (which is expected to be within the range of 17% to 21%) plus management's estimate of the impact of non-tax deductible expenses on the statutory tax charge. The most significant non-tax deductible expenses are remuneration paid to employees and former executive shareholders of subsidiaries acquired by the Group who remain actively engaged in the business and acquisition costs. The impact of these non-tax deductible expenses is a tax charge of £0.3m on a loss before tax of £2.1m (30 June 2018: tax charge of £0.3m on a loss before tax of £2.5m).

## 6. DIVIDENDS

| | **Six months to 30 June 2019 £000** | Six months to 30 June 2018 £000 | Year to 31 December 2018 £000 |
|---|---|---|---|
| Ordinary dividends paid comprise: | | | |
| Final dividend (2018: 8.08p) | **6,263** | 5,296 | 5,297 |
| Interim dividend paid | **–** | – | 2,672 |
| | **6,263** | 5,296 | 7,969 |

The interim dividend of 3.65p per share, will be paid on 8 November 2019. Dividends paid have been shown as a movement in shareholders funds.

## 7. EARNINGS PER SHARE

The earnings and weighted average number of shares used in the calculation of earnings per share are as shown below. The shares held by the ESOP have been excluded from the calculation because the trustees have waived the right to dividends on these shares.

| | **Six months to 30 June 2019 £000** | Six months to 30 June 2018 £000 | Year to 31 December 2018 £000 |
|---|---|---|---|
| **Earnings** | | | |
| Earnings for the purposes of basic and diluted earnings per share from continuing operations | **(3,502)** | (3,006) | (3,652) |

| | **Number** | Number | Number |
|---|---|---|---|
| **Number of shares** | | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | **77,076,461** | 71,186,224 | 73,978,128 |
| Effect of dilutive potential ordinary shares: Share options | **4,461,538** | 213,177 | 1,330,013 |
| Weighted average number of ordinary shares for the purposes of statutory diluted earnings per share | **81,537,999** | 71,399,401 | 75,308,141 |

## 8. ACQUISITION OF SUBSIDIARIES

**FGR**

On 4 October 2018 Charles Taylor acquired all of the equity of FGR S.A (Chile), FGR Affinity Limitada (Chile), FGR Peru Adjustadores de Seguros S.A (Peru), FGR Affinity Peru S.A.C (Peru) and FGR Hanna Limitada (Chile). These five companies are described collectively as “FGR”. FGR is a claims management and loss adjusting group with activities in Chile, Peru and Colombia. FGR is known for a high-quality offering, technical knowledge, expertise and delivery, particularly in respect of catastrophic events.

This acquisition has significantly increased the Group’s network and reach across Latin America, building on its momentum in the region. The Group continues to support FGR’s growth by providing access to the London and international markets and by leveraging the Group’s existing client relationships and reputation.

The opening balance sheet presented as at 30 June 2019 remains “provisional” whilst the acquisition accounting is concluded and will be finalised within the 12-month anniversary of acquisition.

The assets acquired are as follows:

| | FGR (Provisional) | | |
|---|---|---|---|
| | Carrying amount before acquisition | Adjustments £000 | Amount recognised at acquisition |
| Identifiable intangible assets | 459 | 4,002 | 4,461 |
| Deferred tax liability recognised on intangible assets | – | (1,401) | (1,401) |
| Trade and other receivables | 1,168 | – | 1,168 |
| Cash and cash equivalents | 919 | – | 919 |
| Trade and other payables | (661) | – | (661) |
| Property, plant and equipment | 245 | – | 245 |
| Deferred tax asset | 85 | – | 85 |
| Identifiable assets and liabilities | 2,215 | 2,601 | 4,816 |
| Goodwill | | | 1,282 |
| Consideration | | | 6,098 |
| **Satisfied by:** | | | |
| Cash | | | 5,616 |
| Deferred consideration | | | 482 |
| Consideration | | | 6,098 |

A further estimated £4.1m is payable in three instalments from October 2019, subject to the executive shareholders meeting their targets and remaining actively engaged in the business for a period of at least three years, which will be recognised in the income statement.

**Deferred consideration**

| | Deferred consideration £000 |
|---|---|
| At 1 January 2019 | 6,693 |
| Amounts paid | (197) |
| Other movements | (392) |
| Interest unwind | (39) |
| Foreign exchange | 274 |
| At 30 June 2019 | 6,339 |

| | |
|---|---|
| Current | 2,275 |
| Non-current | 4,064 |
| | 6,339 |

As at 30 June 2019 the Group has £7.0m (31 December 2018: £4.5m) accrued in respect of Executive Remuneration relating to previous acquisitions. This balance is presented within Trade and Other Payables and it is estimated that an additional £21.7m will be payable between now and 2022.

**9. BANK OVERDRAFTS AND LOANS**

The Group has a senior facilities agreement with Royal Bank of Scotland, HSBC and Bank of Ireland for a five-year term, which matures on 13 October 2023. As at 30 June 2019 the facilities comprise a £87m revolving credit facility (RCF) which is available until the term and is a guaranteed line of credit. The senior facilities are subject to a variety of undertakings and covenants, including target ratios for interest cover (EBITDA: interest) and leverage (debt:EBITDA).

Other Group facilities are:

- uncommitted overdraft of £5.0m in the UK;
- uncommitted overdrafts of $4.0m in Hong Kong and CAD$1.8m in Canada; and
- uncommitted loans of $4.9m in the US.

**10. CALLED UP SHARE CAPITAL**

| | **At 30 June 2019 £000** | At 30 June 2018 £000 | At 31 December 2018 £000 |
|---|---|---|---|
| Issued and fully paid:<br>77,912,846 ordinary shares of 1p each (30 June 2018: 77,227,747, 31 December 2018: 77,580,079 | **779** | **772** | 776 |

The number of allotted and fully paid shares of the Company increased by 332,767 during the six-month period to 30 June 2019 due to shares issued under employee share schemes.

**11. NOTES TO THE CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

| | **Six months to 30 June 2019 £000** | Six months to 30 June 2018 £000 Restated[1] | Year to 31 December 2018 £000 |
|---|---|---|---|
| **Operating loss** | **(728)** | (2,196) | (2,018) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | **4,384** | 1,090 | 2,552 |
| Amortisation of intangibles | **6,769** | 5,502 | 12,126 |
| Other non-cash items | **4,421** | 1,563 | 6,153 |
| Other cash items | **(3,025)** | (2,040) | (5,529) |
| (Decrease) / increase in provisions | **(713)** | 1,729 | 1,772 |
| Share of results of associates and joint ventures | **(277)** | 477 | 386 |
| Operating cash flows before movements in working capital | **10,831** | 6,125 | 15,442 |
| Increase in receivables | **(10,577)** | (18,032) | (21,304) |
| Increase in payables | **16,010** | 31,767 | 29,497 |
| (Increase) / decrease in insurance company assets | **(12,872)** | 72,373 | 189,090 |
| Increase / (decrease) in insurance company liabilities | **13,250** | (71,193) | (189,380) |
| Cash generated from operations | **16,642** | 21,040 | 23,345 |
| Income taxes paid | **(141)** | (1,024) | (739) |
| Interest paid | **(1,472)** | (1,332) | (2,886) |
| Net cash before movement in client funds | **15,029** | 18,684 | 19,720 |
| Movement in client funds | **44,327** | 12,289 | 24,326 |
| **Net cash from operating activities** | **59,356** | 30,973 | 44,046 |

1 Restated as set out in Note 2.

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less. Cash includes client funds of £190m (30 June 2018: £133.7m, 31 December 2018: £145.7m).

## 12. NET DEBT

| | **At 30 June 2019 £000** | At 30 June 2018 £000 | At 31 December 2018 £000 |
|---|---|---|---|
| Cash and cash equivalents | **217,178** | 158,317 | 169,974 |
| Less: client funds | **(190,048)** | (133,684) | (145,721) |
| Bank overdrafts | **(10,630)** | (14,992) | (14,980) |
| Current loans | **(3,904)** | (226) | (2,095) |
| Non-current bank loans | **(86,157)** | (62,101) | (80,909) |
| | **(73,561)** | (52,686) | (73,731) |

Net debt including IFRS 16 lease liabilities of £52.0m totals £125.6m.

Due to the nature of the Group's senior facilities arrangement being on a net basis, the balances presented above may appear to exceed total available facilities as presented in Note 9.

## 13. FINANCIAL INSTRUMENTS

**Valuation techniques and assumptions applied for the purposes of measuring fair value**

The fair values of the Group's financial assets and liabilities are determined as follows:

- Retirement benefit obligations are valued by independent actuaries in accordance with IFRS.
- For those financial assets and liabilities that are cash, short-term trade receivables or payables, or funds held at Lloyd's, carrying amount is a reasonable approximation of fair value.
- The preference shares investment is held to amortised cost.
- The Group's financial assets and liabilities are measured, subsequent to initial recognition, at fair value, and they can be grouped into Levels 1 to 3 based on the degree to which the fair value is observable:
  - Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
  - Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
  - Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Fair value hierarchy**

For each of the assets in the table below, carrying value is a reasonable approximation to fair value. Excluding financial assets and liabilities of insurance companies, there were no Level 1 assets, no transfers between Level 1, 2 or 3 during the period, nor were there any valuation changes. All movements in the asset or liability values below are through profit or loss, including any revaluation of deferred consideration (see Note 8). The deferred consideration amounts below do not include amounts held in insurance company liabilities.

| | **At 30 June 2019** | | | At 30 June 2018[1] | | | At 31 December 2018 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Level 2 £000** | **Level 3 £000** | **Total £000** | Level 2 £000 | Level 3 £000 | Total £000 | Level 2 £000 | Level 3 £000 | Total £000 |
| Funds at Lloyd's | **–** | **3,391** | **3,391** | – | 3,163 | 3,163 | – | 3,163 | 3,163 |
| Preference shares held to amortised cost[1] | **–** | **8,907** | **8,907** | – | 5,259 | 5,259 | – | 7,452 | 7,452 |
| Trade debtors[1] | **–** | **59,191** | **59,191** | – | 46,109 | 46,109 | – | 51,305 | 51,305 |
| Contract assets (accrued income) | **–** | **38,201** | **38,201** | – | 32,488 | 32,488 | – | 36,995 | 36,995 |
| Deferred consideration | **–** | **(6,339)** | **(6,339)** | – | (9,016) | (9,016) | – | (6,693) | (6,693) |
| FX forward contracts | **(18)** | **–** | **(18)** | 204 | – | 204 | (160) | – | (160) |
| | **(18)** | **103,351** | **103,333** | 204 | 78,003 | 78,207 | (160) | 92,222 | 92,062 |

1 Restated as a result of adopting IFRS 9. Refer to Note 2.

The fair values of the financial assets and liabilities included in the Level 2 category have been independently valued by the Royal Bank of Scotland and HSBC based on observable market conditions prevailing at the valuation date, including relevant foreign exchange rates and the zero coupon yield curve.

The fair values of the financial assets and liabilities included in the Level 3 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis with the most significant inputs being the discount rate that reflects substantially the same terms and characteristics including the credit quality of the instrument:

- Trade debtors are reduced by a discount to reflect the time value of money at a discount rate of 3.3% (30 June 2018: 3.3%, 31 December 2018: 3.3%) that reflects the Group's debt funding rate over the relevant maturities.

- Contract assets (accrued income) is uplifted by 5.3% (30 June 2018: 5.3%, 31 December 2018: 5.3%) for anticipated unrecorded income, which is based on average over recovery of unrecorded income during 2019, and then discounted for the time value of money at 3.3% (30 June 2018: 3.3%, 31 December 2018: 3.3%) that reflects the Group's debt funding rate over the relevant maturities.
- Deferred consideration is reduced by a discount to reflect the time value of money of 2.8% (30 June 2018: 2.8%, 31 December 2018: 3.4%) reflecting the Group's debt funding rate over the relevant maturities.

The sensitivity of the fair values of trade debtors and accrued income to changes in the discount rate is negligible, irrespective of the change in discount rate. The sensitivity of the fair value of deferred consideration to reasonably likely changes in the discount rate is immaterial.

**14. PENSIONS**

The Group contributes to a number of defined benefit pension schemes on behalf of employees. The present value of the retirement benefit obligation at 30 June 2019 has been arrived at by recalculating the 31 December 2018 liabilities using the financial assumptions at 30 June 2019 and rolling forward the liability, allowing for interest and benefit accrual to 30 June 2019. The value of plan assets represents the bid value of invested assets at 30 June 2019 plus cash balances held.

The financial assumptions used to calculate scheme liabilities under IAS 19R Employee Benefits are as follows:

| | **At 30 June 2019 %** | At 30 June 2018 % | At 31 December 2018 % |
|---|---|---|---|
| Rate of increase in salaries | **3.00** | 3.00 | 3.00 |
| Rate of increase of pensions in payment | | | |
| – RPI | | | |
| – max 5%, min 0% | **3.25** | 3.10 | 3.25 |
| – max 2.5%, min 0% | **2.20** | 2.20 | 2.20 |
| – max 5%, min 3% | **3.70** | 3.65 | 3.70 |
| – CPI | | | |
| – max 5%, min 0% | **2.35** | 2.20 | 2.35 |
| – max 2.5%, min 0% | **1.85** | 1.80 | 1.85 |
| Discount rate | **2.30** | 2.70 | 2.80 |
| Inflation assumption | | | |
| – RPI | **3.35** | 3.20 | 3.35 |
| – CPI | **2.35** | 2.20 | 2.35 |

**Amounts recognised in the balance sheet in respect of the Group's retirement benefit obligations**

| | **At 30 June 2019 £000** | At 30 June 2018 £000 | At 31 December 2018 £000 |
|---|---|---|---|
| Total market value of assets | **113,687** | 104,984 | 110,245 |
| Actuarial value of liability | **(143,289)** | (135,319) | (141,362) |
| Restrictions on asset recognised | **(2,743)** | (2,566) | (2,790) |
| Overseas retirement benefit obligation | **(389)** | (348) | (370) |
| Net liability recognised in the balance sheet | **(32,734)** | (33,249) | (34,277) |
| Related deferred tax asset | **5,499** | 5,593 | 5,764 |
| Pension liability net of related deferred tax asset | **(27,235)** | (27,656) | (28,513) |

The restrictions on asset recognised results from one of the Group's pension schemes being in surplus under IFRS, however in practice this surplus will not be recovered by the Group. The variation in the amount of this surplus reflects fluctuations in that scheme's funding position over the course of the relevant period.

**15. RELATED-PARTY TRANSACTIONS**

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. There have been no material transactions with associated undertakings in the period.

**16. CONTINGENT LIABILITIES**

The Group carries contingent liabilities and from time to time is involved in litigation in the ordinary course of business which may give rise to future payments. Individually or collectively these may have a material impact on the financial statements in future periods. The Group carries a broad range of insurance cover which may respond to some of these liabilities.

**17. EVENTS AFTER THE BALANCE SHEET DATE**

On 11 September 2019, the Group concluded its strategic review of Charles Taylor Managing Agency, following The Standard Club's decision to withdraw from underwriting at Lloyd's, and agreed to sell its share of this business. The sale is expected to complete, subject to regulatory approval, before 31 December 2019.

**Forward-looking statements**

This interim report contains certain forward-looking statements. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results may differ from those expressed in such statements, depending on a variety of factors, including demand and pricing; operational problems; general economic conditions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; exchange rate fluctuations and other changes in business conditions; the actions of competitors and other factors.

# Responsibility Statement

The Directors confirm that these condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last Annual Report.

The Directors of Charles Taylor plc are listed in the Charles Taylor plc Annual Report and Accounts for 31 December 2018. A list of current Directors is maintained on the Charles Taylor plc website: www.ctplc.com.

By order of the Board

**DAVID MAROCK**
Group Chief Executive Officer

**MARK KEOGH**
Group Chief Financial Officer

# Independent Review Report to Charles Taylor plc

**REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**Our conclusion**

We have reviewed Charles Taylor plc's Condensed Consolidated Interim Financial Statements (the "interim financial statements") in the Half Year Report 2019 of Charles Taylor plc for the 6 month period ended 30 June 2019. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

**What we have reviewed**

The interim financial statements comprise:

- the Condensed Consolidated Balance Sheet as at 30 June 2019;
- the Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Cash Flow Statement for the period then ended;
- the Condensed Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Half Year Report 2019 have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

**RESPONSIBILITIES FOR THE INTERIM FINANCIAL STATEMENTS AND THE REVIEW**

**Our responsibilities and those of the directors**

The Half Year Report 2019, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half Year Report 2019 in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Half Year Report 2019 based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**What a review of interim financial statements involves**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Half Year Report 2019 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

**PRICEWATERHOUSECOOPERS LLP**
Chartered Accountants
London
11 September 2019