27 April 2017

Watchstone Group plc
("Watchstone" or the "Company" or the "Group")

Preliminary results for the year ended 31 December 2016

Watchstone (AIM:WTG.L) today announces its results for the year ended 31 December 2016.

Financial:

- Underlying* business revenues increase to £60.7m (2015: £54.9m)
- Total revenues rise to £63.8m (2015: £58.8m)
- Underlying EBITDA** loss of £9.8m (2015: loss of £15.1m)
- Group Operating Loss of £20.9m (2015: £177.6m)
- Total loss after tax of £69.1m (2015: profit of £274.9m) including £50.1m impairment of escrow receivable
- Group net assets (excluding contingent liabilities) of £68.5m (2015: £137.1m) representing approximately 147 pence per share. Group reported net assets no longer includes the escrow receivable following impairment
- Group cash and term deposits at 31 December 2016 of £81.2m (2015: £103.2m)

**Underlying includes Hubio, ingenie, Healthcare Services, BAS and Central*
***EBITDA is Earnings Before Interest Tax Depreciation Amortisation and Impairments*

Operational:

- Group complexity reduced with disposal or closure of a number of loss making, cash consumptive businesses
- Growth and profitability delivered in our largest businesses, ptHealth and ingenie
- Reshaping of Hubio completed including substantial reduction of cash requirements and the launch of our new UBI proposition based on ingenie's leading IP
- Plan to prepare all remaining businesses for potential divestment and establish new way of working with the substantially reduced central team / Board by the end of 2017

Current trading (unaudited):

- Overall trading is in line with expectations with continued good momentum in ptHealth and ingenie
- Unaudited underlying group revenue for Q1 2017 is up 4% vs. Q1 2016
- Continued improvement in underlying EBITDA loss with expectation of significantly lower losses vs. 2016 reflecting the operating improvements made in 2016 and since
- Unaudited overall group operating loss is an improvement of approximately 40% for Q1 2017 vs. Q1 2016
- ptHealth has had a good start to the year
    - continued emphasis on clinic optimisation and InnoCare sales
    - unaudited revenue of £7.3m in Q1 2017 (an increase of approximately 11.5% vs. Q1 2016 (excluding exchange rate fluctuations)
- ingenie is performing well
    - taking advantage of the continued market opportunities seen in UK insurance telematics
    - unaudited revenue of £3.9m in Q1 2017 (an increase of approximately 11% vs. Q1 2016)
- Smaller and more focused Hubio footprint with a clear strategy as explained in the Group Chief Executive's Update
- BAS revenue is broadly in line with Q1 2016 and budget expectations
- As at 21 April 2017, Group cash and term deposits was (unaudited) £71.8m
    - Cash outflows since year end reflect both typical settlement of outstanding 2016 invoices, staff bonuses and settlement of non-underlying liabilities. This rate of spend is not expected to be reflective of the trend for the full year
    - Group cash excludes escrow monies of £50.1m

Indro Mukerjee, Group Chief Executive Officer said: *"After some 20 months with the Group, I can confidently say that, with the rather broad set of things to do, there has never been a dull moment. Our actions and improvements means the business has entered 2017 in a clearer and stronger position than in 2016. I believe that we will best serve our shareholders by realising the value of our operating businesses (through sale, merger/demerger or IPO) at the optimal time; by managing legacy matters in the most efficient manner; and then to return the maximum cash to shareholders at the earliest opportunity subject always to the need to ensure the interests of creditors are adequately safeguarded (including in respect of any contingent liabilities). As such, I have recommended, and the Board has agreed, a plan of action which will result in completing the phase I started back in September 2015 and which will move Watchstone into its next phase by the end of 2017. On a personal level, this will signify the end of my work with the Group. I have informed my colleagues of my intention to stand down as Group CEO and resign from the Board, both as of 31 December 2017."*

Richard Rose, Non-executive Chairman said: *"2016 was another busy year for Watchstone as we continued to work through operational and organisational change while dealing with a multitude of legacy legal and taxation matters. The Board has decided that all remaining businesses will now be prepared for divestment. In readiness for possible disposal, the companies will be shaped to operate more autonomously, with Watchstone taking a more strategic role rather than seeking to operate the businesses. The timing for any potential divestment or any alternative strategic option will be determined with a view to maximising shareholder value. Under the leadership of Indro Mukerjee, we are now well placed to move to a much simpler and significantly reduced cost group structure by the end of 2017 at which point Indro's work to provide a strong and stable platform for Watchstone and its businesses to generate value for shareholders will be complete."*

The Annual Report and Accounts for the year ended 31 December 2016 will be released by 5 May 2017 and posted to registered shareholders. Once published a full version will be available at www.watchstonegroup.com/investors.

The 2017 AGM will be held at 10.30am on 27 June 2017 at Vauxhall & Lambeth Suite – 2nd Floor, Park Plaza County Hall, 1 Addington St, Lambeth, London SE1 7RY. Notice of the Annual General Meeting ("AGM") and a Form of Proxy will be posted to registered shareholders in due course.

For further information:

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Notes to editors:

About Watchstone

Watchstone Group plc is a company focused on managing the Group's operating, cash and other corporate assets in order to achieve the maximum shareholder value possible, whilst ensuring good governance.

The Group has technology at its core and our businesses offer leading technology solutions and other services primarily to the insurance, automotive and healthcare sectors. While we have a diverse portfolio, our operating businesses are unified by a set of shared commercial principles:

- We seek to anticipate change and we have the agility to exploit the dynamism of customer behaviour;
- We invest in the people and technologies that will drive innovation and success in our markets;
- We promote in-depth sector knowledge and experience as the starting point of value creation; and

- We strive for efficiency across our businesses through the optimal allocation of resources and good governance.

The individual businesses and segments in which they operate are set out below:

- **Hubio**
    - provides integrated solutions to help organisations in the insurance and automotive sectors increase efficiency, reduce claims, build customer engagement and enable usage-based personalisation.
    - through the innovative use of telematics and enterprise technologies, Hubio is bringing new levels of data-driven insights to the insurance and automotive industries, while challenging and redefining established business models.

- **Healthcare Services**
    - **ptHealth** is a national healthcare company that owns and operates physical rehabilitation clinics across Canada. From large cities to small communities, ptHealth takes pride in delivering quality services in a compassionate and patient-centered atmosphere that is focused on providing recovery solutions for its patients.
    - **InnoCare** is a proprietary clinic management software platform and call centre and customer service operation based in Canada. InnoCare uses its established industry expertise to enable clinic owners to transform their patient's experience and operate more efficient and productive practices in the growing North American healthcare market.

- **ingenie**
    - is an insurance broker focused on helping young drivers get on the road safely and affordably. Using telematics technology, ingenie gives its community feedback, bespoke advice via its Driver Behaviour Unit and discounts to help them improve their driving skills and stay safe.

- **BAS**
    - is one of the UK's leading energy brokerages providing a range of energy services to UK companies – including procurement, energy audit, monitoring and targeting and data sampling.

Chairman's Report

2016 was another busy year for Watchstone as we continued to work through operational and organisational change while dealing with a multitude of legacy legal and taxation matters.

Although timing is beyond our control for most of our legacy matters, it is disappointing we have not yet definitively resolved a number of these issues facing the Group. We continue to seek to do this as soon as practical whilst always ensuring that we focus on the interests of our shareholders.

Throughout the year, we disposed of or closed a number of businesses which were loss making, consumed cash and presented no opportunity for additional shareholder value. The executive team was active across our businesses and we exited our property services interests, disposed of Quintica, closed and sold the assets of Road Angel Group and closed Maine Finance.

At the same time, revenues of our underlying businesses increased and losses were significantly cut.

It is pleasing to note that both ptHealth and ingenie are now profitable and growing well with strong opportunities for profit improvement from organic growth and margin enhancement. The challenge of shaping Hubio has been met and is explained in the Group Chief Executive's Update.

Under the leadership of Indro Mukerjee, who joined Watchstone as Group Chief Executive Officer in September 2015, we are now well placed to move to a much simpler and significantly reduced cost group structure by the end of 2017.

All remaining businesses will be prepared for divestment. In readiness for possible disposal, each business will have its own dedicated management team to enable them to operate without the levels of Group management involvement that have been required so far. Watchstone's companies will be shaped to operate more autonomously, with Watchstone taking a more strategic role rather than seeking to operate the businesses. Any potential divestment or any alternative strategic option will be determined with a view to maximising shareholder value.

As a result, Watchstone will be run by a much smaller team and Board from the start of 2018 and Indro and I are working together to shape the makeup of that structure. The main responsibility of the streamlined Watchstone will be to manage the divestment process (for those businesses remaining) and bring the legacy issues to their conclusion with a view to enabling the maximum amount of cash to be returned to shareholders at the earliest possible opportunity.

Following the planning and delivery of this strategic reshaping, Indro has informed the Board of his intention to leave the Group on completion of the planning and delivery of this strategic reshaping and will resign from the Board, both as of 31 December 2017. It was always part of our plan to have a CEO who could navigate the legacy issues as well as provide a strong and stable platform for Watchstone and its businesses to generate value for shareholders and I know that Indro will continue that work until his departure.

I would, once again, like to take this opportunity to thank all our colleagues for their commitment and hard work. I would also like to thank our investors who have been patient and maintained support for the Company as the intense work to deliver the best possible value from our assets has continued. The Board remains confident that we will go on to reward that support.

Richard Rose
Non-executive Chairman

Group Chief Executive's Update

After some 20 months with the Group, I can confidently say that, with the rather broad set of things to do, there has never been a dull moment.

My starting point has been well documented and the following three elements have been at the heart of my work from the beginning: setting a strategic direction for our businesses; working to reduce the Group's cash losses; and promoting uncompromising standards of governance.

Working with high calibre Board colleagues, the governance aspects of what we do as a company and how we do it have been developed to high standards. While realising that shareholders should be able to take this for granted, it should be noted that it took significant work and determination to get to this point.

Given the scale of the cash losses, it was an obvious priority to focus on addressing those quickly after I started. Over the course of 2016, some £14m of losses were eradicated through a combination of cost savings and cessation of entire activities.

For our businesses, the focus of 2016 was about rationalising what was a diverse starting point and working in the businesses on practical actions to get the best out of them. In order to be able to communicate performance clearly to shareholders, the income statement, including the comparatives, splits the Group between underlying and non-underlying activities with the latter category including business activities which do not form part of the Group's future focus. Today, the Group's underlying businesses are Healthcare Services (ptHealth including InnoCare), ingenie, Hubio and BAS.

With increased sales focus and tight cash management, we were able to show underlying sales growth of approximately 11% and to reduce the underlying EBITDA loss to (£9.8m) in 2016 vs. (£15.1m) in 2015. The full year benefits of the restructuring during 2016 are not fully reflected in the 2016 numbers and so our EBITDA losses for 2017 will be significantly lower once again.

At all times, I have done my best to consider the inevitably broad range of shareholder (both institutional and private) opinions and the feedback from our owners has helped to shape our actions. We have placed a significant emphasis on cash management and this was always the main reason for the cessation of certain activities in the Group.

With the exception of parts of Hubio, our businesses now no longer consume cash on an ongoing basis. Within Hubio, the enterprise and Canadian iter8 insurance software businesses became cash neutral within 2016 and only the telematics side of the business consumed cash while its real business prospects were being fully and now conclusively evaluated in what is a fast-changing market.

Business Review:

Now, taking each of the operating businesses in turn:

1. **Healthcare Services**

Our Healthcare Services activities consist of our ptHealth clinics business as well as InnoCare, which was launched in Spring 2016 to sell software and services to independent clinics in Canada. With significant effort and focus, Healthcare performed well in 2016, with revenue increasing by 12% and EBITDA turning profitable.

During 2016, ptHealth clinics treated a record number of patients and through strong operational improvement and selective clinic divestments, all clinics are now profitable. ptHealth clinic revenue increased some 7% (even with fewer clinics) and EBITDA increased by 21% compared with FY2015, reflecting operational improvements.

ptHealth is on target to continue the positive momentum in both top line revenue, patient treatments and assessments and clinic capacity utilisation during 2017.

InnoCare comprises:

- InnoCare SaaS, a market leading services and software package designed as a complete solution to clinics has increased its revenue by 101% when comparing Q1 2016 before InnoCare launch to Q1 2017; and
- InnoCare Charting, a digital charting platform to help clinicians be more efficient and thereby treat more patients has led to considerable media attention in Canada, bringing first of its kind solutions to the marketplace.

InnoCare has been developing momentum, including growth in network revenue up 17% over the prior period. From September 2016, investment in sales and business development has resulted in a substantial growth in its sales pipeline.As commented in the pre-close trading update released on 19 January 2017, the required investment in InnoCare's products and associated marketing will impact the overall Healthcare Services' earnings for the immediate future. However, we still expect it to be profitable and cash generative in 2017.

Healthcare Services in 2016 at a glance

- *In 2016, ptHealth treated an average of 3,000 patients a day*
- *Of the 2,958 patients surveyed 96% said they would recommend us*
- *Over 1,200 Practitioners use InnoCare software. Software sales were up 33% in 2016*
- *In 2016, our central call centre took a record 71,093 calls, made 52,156 new patient appointments and cared for 71,543 new patients*
- *1,250 people a day visit our ptHealth/InnoCare websites*
- *Recent Q1 2017 PR for InnoCare has led to an 11% growth in sales pipeline for InnoCare products*

2. **Hubio**

Hubio was launched at the start of 2016 to operationally pull together three previously disparate insurance software businesses and to evaluate opportunities for value creation. Hubio has been the business area which most polarised shareholder opinion and I owed it to all shareholders to pay particular attention to this business and so have been its CEO since creation.

Through working in this business and meeting customers, prospects and peers, the following elements became clear:

- Our telematics business was not able to profitably challenge larger and established players who had acquired market share;
- The telematics market was already moving rapidly to mobile solutions and we could not find a business case for the previously developed mapping technology; and
- There was no compelling market for 'end to end' Usage Based Insurance (UBI) solutions. This meant we could only find limited synergies between the telematics and enterprise software parts of Hubio and therefore the overall Hubio cost base was significantly out of line with its opportunities and so strong measures had to be taken.

So, 2016 became about reshaping the Hubio organisation to improve efficiency and to establish the best way to develop value. Naturally, I was deeply involved with both the restructuring and with new business initiatives, meeting with customers and industry commentators as well as guiding our employees.

With these actions, in addition to those taken since the end of 2016, (including the closure of our Dundee operation and the downsizing of our US telematics team), Hubio's cash needs were reduced from over £11.0m in 2015 to under

£5.5m on an annualised basis by the end of 2016. With the full impact of last year's savings and the recently announced closure of Dundee and the further downsizing of our US telematics group, overall Hubio cash needs will be substantially lower in 2017.

With these changes, today we have the following businesses under the Hubio brand:

- Hubio Enterprise: This is our insurance claims and policy software business which is now operating profitably with well proven, award winning technology; a significantly increased sales pipeline; increased market recognition; and a clear strategy.

- Hubio Exchange: This is our technology solutions business in Canada which has been downsized and completely reoriented back to its niche iter8 insurance platform. It recently announced its Guidewire partnership and has developed its well-proven technology to be SaaS ready.

- Hubio Fleet: We launched this Fleet focused business using our telematics platform in September 2016. Since then we have developed an active book of 2,500 active subscriptions and a growing pipeline of opportunities. Through a lot of rapid learning since launch and following the decision to streamline our own software development resources, we have decided to work with an external technology partner to improve our Fleet solution which will be taken to market through the commercial team we have built. This improved solution has been recently launched and our objective is to rapidly increase the size of our active subscriber base.

- Hubio Telematics: I have already shared my disappointment with the development of the UBI activities in communications with shareholders. Whilst it is clear the US UBI market is growing, it is also evident that it is difficult to profitably break into this market without significant cash investment with an uncertain ROI. Given that we started with two legacy platforms, with the Hubio one not offering event scoring, we decided that our updated UBI proposition should be based on our successful ingenie platform. Engagement with US and European customers and prospects will now be managed within the ingenie team, but going to market under the recognised name "Hubio Telematics".

3. ingenie

There was a successful focus on ingenie business development in 2016 resulting in a 17% increase in new business sales and 22% increase of in force policies, compared with 2015. ingenie is now profitable and generating cash. Customer engagement and retention were both increased through ever improving use of social media which is one of the important differentiators for this business.

The ingenie business was split into two parts during 2016 to best focus on developing clear value propositions for its essential elements of the broker business as well as technology and services development.

The ingenie broker business, which deals direct with UK based consumers, is profitable and is expected to increase revenue further during 2017 through organic growth and with newly developed products, which will be announced to the market when released. These will create new product brands, stronger social content and target demographic awareness and revenue and Gross Written Premium (GWP) growth for our insurance propositions. As our products develop, we will establish broader and additional underwriting partnerships to address our new market propositions.

The ingenie technology division will be branded Hubio Telematics and manage relationships with UBI business customers and prospects, offering the transformational impact of ingenie's exceptional driver engagement along with its powerful algorithms to help insurers and their customers. Beyond the ANWB contract and relationship which has been successfully growing, Hubio Telematics will also target engagements in the US and other European countries with any partners that can deliver fast growing programs and cash generative, profitable business for us.

Our ingenie business has strong technological and marketing capabilities in both its broker and technology divisions and operates within a space which is growing. We have a strong sense of the expansion actions necessary to grow revenue and make the operational improvement to improve the bottom line.

ingenie in 2016 at a glance

- *GWP increased by 22%*
- *Exceptional consumer engagement achieved by the combination of technology and psychology:*
  - *99% ingenie drivers activate their feedback account*
  - *ingenie drivers engage 9x per month via feedback app*
  - *ingenie drivers have 40% fewer crashes than the national average*
  - *90% drivers proven to improve after ingenie coaching*
- *Facebook and Twitter followers exceed 50,000*
- *Social traffic to ingenie.com has increased by 58% over previous year*
- *Traffic to ingenie Young Drivers Guide has doubled over the course of 2016*
- *Hubio Telematics systems have managed over 150,000 policies over the last 5 years*
- *Collects over 2.5 million miles of driver trip data every day*

4. BAS

In 2016, BAS launched a new division targeting larger corporate opportunities in addition to its traditional base of SME customers. The first major corporate customer was won (providing energy procurement services for Suffolk County Council) and a further pipeline has been developed with an expectation for additional wins during 2017. Total new business sales were a record and up approximately 30% vs. 2015 resulting in the revenue growth seen in the accounts section of this report. In addition to launching the new corporate division, 2016 also saw major efforts in improving the IT and operational processes of the business and restructuring some of the South African sales teams. Despite the strong revenue growth in 2016 the business continues to operate in a competitive and mature market.

Update on legacy matters

It is well recognised that we have continued to deal with a substantial number of legacy matters.

Whilst we successfully resolved a number of historic matters in the year (and since year end), in September 2016, Slater & Gordon ("S&G") notified us of a purported claim in respect of its acquisition of our Professional Service Division ("PSD") which completed in May 2015. In November 2016, S&G obtained an opinion from an independent barrister in respect of the warranty escrow that based solely on the information presented to him (and on the assumption that no further evidence would be provided) that the purported claim has on balance a prospect of success and that, if successful, such claim would be likely to have a value of £53.0m ("Opinion"). Accordingly, £50.1m (including interest) is retained in the warranty escrow account until the purported claim is resolved ("Warranty Escrow").

Whilst Watchstone's view as to the lack of merits of the purported claim has not changed, on the basis of the Opinion, we consider it appropriate that a provision for impairment be established in respect of the Warranty Escrow and have determined that the appropriate amount should be to fully impair the Warranty Escrow. This reflects the inherent uncertainty in valuation of the purported claim and is in no way a reflection of the Group's view on ultimate resolution, which is uncertain in both time and quantum (if any).

As yet no proceedings have been brought and the Group will defend such claim robustly if commenced.

We remain in active dialogue with S&G on a number of other matters including the performance of the noise induced hearing loss ("NIHL") cases to which deferred consideration is due when, and if, such cases are profitable. To date, no deferred consideration has been paid.

The SFO investigation which was launched in August 2015 into historic matters remains on-going and we continue to co-operate fully with it. It remains the only regulatory enquiry to which the Company is subject.

We will continue our efforts to resolve these matters and will do so with a priority and focus on protecting shareholder interests.

2017 Outlook and Strategic Plans

Changing the company name to Watchstone in November 2015 was much more than a cosmetic event. Since then, we have developed clear plans for our underlying operating businesses with strong financial controls. We are continuing to work on addressing our legacy corporate matters with clarity and determination. At the same time, and realising that all the underlying businesses are going through improvement paths, I am always mindful of the best way to deliver best possible shareholder value. Our actions and improvements means the businesses have entered 2017 in a stronger position than they did in 2016.

I believe that we will best serve our shareholders by realising the value of our operating businesses (through sale, merger/demerger or IPO) at the optimal time; by managing legacy matters in the most efficient manner; and then to return the maximum cash to shareholders at the earliest opportunity subject always to the need to ensure the interests of creditors are adequately safeguarded (including in respect of any contingent liabilities).

As such, I have recommended, and the Board has agreed, a plan of action which will result in completing the phase I started in September 2015 and moving Watchstone into its next phase by the end of 2017.

Any businesses held beyond 2017 will be cash generative and will not need constant operational management by Watchstone, as has been the case so far. This will mean that any retained businesses will have their own complete management teams, clear business plans with milestones as well as systems and controls which will allow Watchstone to manage them as a shareholder rather than as an operator. This will enable a smaller Board / central team to divest of such companies more easily and quickly when the time is right.

Over the remainder of 2017, work will be done to either sell the operating businesses or develop them to a state where they can be managed as described above. There will also be work to re-shape the Board and further reduce the central team. The completion of this work by the end of this year will be a significant milestone for the Group.

On a personal level, this will signify the end of my work with the Group. I have informed my colleagues of my intention to stand down as Group CEO and resign from the Board, both as of 31 December 2017.

Since becoming Group Chief Executive Officer, it has been my intention to get the Group's businesses into the best possible position, while dealing with an array of legacy issues and challenges. I believe that the Board's work to date and the plan for the rest of this year will give shareholders a much better platform for the future than they had in 2015.

Shareholders will receive a further update on this plan on 27 June 2017 in our AGM statement. The AGM itself will be held in London on that day and notice will be sent to shareholders in due course.

There is a much still to be done and I would like to thank our employees for their commitment and our shareholders for their support.

Indro Mukerjee
Group Chief Executive Officer

Consolidated Income Statement

for the year ended 31 December 2016

	2016 Underlying	2016 Non-underlying £000	2016 Total	2015 Underlying	2015 Non-underlying	2015 Total
Revenue	**60,703**	**3,053**	**63,756**	54,894	3,890	58,784
Cost of sales	**(31,805)**	**(1,902)**	**(33,707)**	(31,105)	(2,293)	(33,398)
Gross profit	**28,898**	**1,151**	**30,049**	23,789	1,597	25,386
Administrative expenses	**(40,883)**	**(10,093)**	**(50,976)**	(43,120)	(161,989)	(205,109)
Other income	**-**	**-**	**-**	-	1,971	1,971
Share of results of associates	**-**	**-**	**-**	103	-	103
Group operating loss	**(11,985)**	**(8,942)**	**(20,927)**	(19,228)	(158,421)	(177,649)
Finance income	**1,504**	**831**	**2,335**	1,217	19	1,236
Finance expense	**(269)**	**-**	**(269)**	(1,508)	(67)	(1,575)
Loss before taxation	**(10,750)**	**(8,111)**	**(18,861)**	(19,519)	(158,469)	(177,988)
Taxation	**(464)**	**204**	**(260)**	3,666	9,524	13,190
Loss after taxation for the year from continuing operations	**(11,214)**	**(7,907)**	**(19,121)**	(15,853)	(148,945)	(164,798)
Provision against escrow receivable	**-**	**(50,120)**	**(50,120)**	-	-	-
Net gain on disposal of discontinued operations	**-**	**323**	**323**	-	494,317	494,317
Loss for the year from discontinued operations, net of taxation	**-**	**(152)**	**(152)**	-	(54,580)	(54,580)
(Loss)/profit after taxation for the year	**(11,214)**	**(57,856)**	**(69,070)**	(15,853)	290,792	274,939
Attributable to:						
Equity holders of the parent	**(11,206)**	**(57,856)**	**(69,062)**	(15,358)	290,792	275,434
Non-controlling interests	**(8)**	**-**	**(8)**	(495)	-	(495)
	(11,214)	**(57,856)**	**(69,070)**	(15,853)	290,792	274,939
(Loss)/earnings per share (pence):						
Basic	**(24.3)**		**(150.0)**	(34.0)		609.0
Diluted	**(24.3)**		**(150.0)**	(34.0)		609.0
Loss per share from continuing activities (pence):						
Basic			**(41.5)**			(363.3)
Diluted			**(41.5)**			(363.3)

Non-underlying results have been presented separately to give a better guide to underlying business performance. Where items have become non-underlying in 2016 the comparable amounts in 2015 have been revised to also be classified on the same basis. This does not impact the total 2015 results.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2016

	2016	2015
	£'000s	£'000s
(Loss)/profit after taxation	**(69,070)**	274,939
Items that may be reclassified in the Consolidated Income Statement		
Exchange differences on translation of foreign operations	**50**	(1,674)
Total comprehensive (loss)/income for the year	**(69,020)**	273,265
Attributable to:		
Equity holders of the parent	**(69,012)**	273,760
Non-controlling interest	**(8)**	(495)
	(69,020)	273,265

Consolidated Statement of Financial Position

as at 31 December 2016

	2016	2015
	£'000	£'000
Non-current assets		
Goodwill	**23,221**	28,377
Other intangible assets	**6,259**	7,539
Property, plant and equipment	**6,293**	7,440
Interests in associates	**-**	86
	35,773	43,442
Current assets		
Inventories	**941**	871
Trade and other receivables	**10,228**	66,169
Corporation tax assets	**355**	8,165
Term deposits	**37,500**	-
Cash	**43,714**	103,200
	92,738	178,405
Assets of disposal group classified as held for sale	**1,300**	3,382
Total current assets	**94,038**	181,787
Total assets	**129,811**	225,229
Current liabilities		
Cumulative redeemable preference shares	**-**	(427)
Other secured and unsecured loans	**(163)**	(154)
Trade and other payables	**(25,895)**	(41,667)
Obligations under finance leases	**(102)**	(144)
Provisions	**(27,816)**	(36,704)
	(53,976)	(79,096)
Liabilities of disposal group classified as held for sale	**-**	(3,534)
Total current liabilities	**(53,976)**	(82,630)
Non-current liabilities		
Cumulative redeemable preference shares	**(6,131)**	(4,816)
Obligations under finance leases	**-**	(64)
Provisions	**(425)**	(306)
Deferred tax liabilities	**(741)**	(304)
	(7,297)	(5,490)

Total liabilities	**(61,273)**	(88,120)
Net assets	**68,538**	137,109
Equity		
Share capital	**4,604**	4,596
Other reserves	**143,179**	146,626
Retained earnings	**(80,218)**	(14,722)
Equity attributable to equity holders of the parent	**67,565**	136,500
Non-controlling interests	**973**	609
Total equity	**68,538**	137,109

Consolidated Cash Flow Statement

for the year ended 31 December 2016

	2016	2015
	£'000	£'000
Cash flows from operating activities		
Cash used in operations before exceptional costs, net finance expense and tax	**(18,921)**	(57,554)
Non underlying operating cash out flows excluding discontinued operations	**(10,422)**	(10,538)
Cash used in operations before net finance expense and tax	**(29,343)**	(68,092)
Corporation tax received	**6,990**	419
Net cash used by operating activities	**(22,353)**	(67,673)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(5,469)**	(5,636)
Purchase of intangible fixed assets	**(1,400)**	(4,285)
Proceeds on disposal of property, plant and equipment	**-**	143
Proceeds from sale of investments	**-**	1,358
Acquisition of subsidiaries net of cash acquired	**-**	(648)
Disposal of subsidiaries net of cash foregone	**4,013**	575,001
Investment in term deposits	**(82,500)**	-
Maturity of term deposits	**45,000**	-
Interest income	**97**	-
Disposal of associated undertakings	**86**	7,069
Dividends received from associates	**-**	109
Repayment of financing loan	**1,255**	-
Net cash (used in)/generated by investing activities	**(38,918)**	573,111
Cash flows from financing activities		
Issue of share capital	**8**	1,305
Capital return	**-**	(411,871)
Cash out of options	**-**	(11,150)
Finance expense paid	**(66)**	(1,510)
Finance income received	**743**	1,234
Finance lease repayments	**(103)**	(2,738)
Additional secured loans	**-**	793
Repayment of secured loans	**-**	(30,265)
Sale of shares treated as held in treasury	**-**	2,746
Repayment of unsecured loans	**-**	(326)
Net cash generated by/(used in) financing activities	**582**	(451,782)
Net (decrease)/increase in cash and cash equivalents	**(60,689)**	53,656
Cash and cash equivalents at the beginning of the year	**103,839**	50,482
Exchange gains/(losses) on cash and cash equivalents	**564**	(299)
Cash and cash equivalents at the end of the year	**43,714**	103,839
Cash and cash equivalents		
Cash	**43,714**	103,839
	43,714	103,839

The above Consolidated Cash Flow Statement includes cash flows from both continuing and discontinued operations.

As at 31 December 2016 the group had cash and cash equivalents of £43,714,000 (2015: £103,839,000) and term deposits of £37,500,000 (2015: £nil).

Notes:

1. Results announcement

The Financial Statements for the year ended 31 December 2016 have been prepared in accordance with International Financial Reporting Standards and IFIC interpretations adopted by the European Union (adopted IFRS). However, this announcement does not contain sufficient information to comply with adopted IFRS. The Group will publish its Annual Report and Financial Statements by 5 May 2017 and these will appear on the Group's website at www.watchstonegroup.com and be posted to shareholders. The auditors have reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of any emphasis without qualifying their opinion and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. The financial information set out in this announcement does not constitute the Group's statutory accounts for the year ended 31 December 2016. Statutory accounts for the year ended 31 December 2015 have been delivered to the Registrar of Companies and those for the year ended 31 December 2016 will be delivered following the Company's Annual General Meeting. This preliminary announcement was approved by the Board of Directors on 27 April 2017 and these preliminary results have been extracted from the audited results for the year ended 31 December 2016.

2. Consolidated Income Statement presentation

The Income Statement is presented in three columns. This presentation is intended to give a better guide to underlying business performance by separately identifying adjustments to Group results which are considered to either be exceptional in size, nature or incidence, relate to businesses which do not form part of the continuing business of the Group, or have potential significant variability year on year in non-cash items which might mask underlying trading performance. The columns extend down the Income Statement to allow the tax and earnings per share impacts of these transactions to be disclosed. Equivalent elements of the Group results arising in different years, including increases in or reversals of items recorded, are disclosed in a consistent manner.

3. Business segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker and represent four divisions supported by a Group cost centre (denoted as Central below). The principal activities of each segment are as follows. Hubio: a provider of telematics and insurance technology solutions. ingenie: Telematics based insurance broking. Healthcare Services: a Canadian based physiotherapy network. Business Advisory Service Limited ("BAS"), an energy brokerage.

During 2016, Maine Finance Limited ("Maine Finance"), a life insurance broker and the B2C business of Road Angel Group (being part of Hubio) ("RAG") ceased and the ingenie Canada business entered a state of managed wind down. Accordingly, the results of these businesses have been reclassified to non-underlying and the amounts for 2015 have been restated to be presented on a comparable basis

Within the results of the discontinued operation are Quintica Holdings Limited ("Quintica") and property services, both of which were disposed of in 2016. In 2015, discontinued operations additionally includes the PSD, which was disposed of in May 2015.

Segment information about these businesses is presented below.

	Hubio	ingenie	Healthcare Services	BAS	Central	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Year ended 31 December 2016						
Underlying revenue	15,004	13,926	28,083	3,690	-	60,703
Underlying cost of sales	(7,025)	(7,565)	(14,856)	(2,359)	-	(31,805)
Underlying gross profit	7,979	6,361	13,227	1,331	-	28,898
Underlying administrative expenses excluding depreciation and amortisation*	(12,547)	(5,316)	(13,099)	(1,622)	(7,474)	(40,058)
Underlying EBITDA before capitalisation of development expenditure	(4,568)	1,045	128	(291)	(7,474)	(11,160)
Capitalisation of development expenditure	-	368	1,032	-	-	1,400
Underlying EBITDA before allocation of central costs	(4,568)	1,413	1,160	(291)	(7,474)	(9,760)
Allocation of central costs	(1,715)	(627)	(562)	(264)	3,168	-
Underlying EBITDA after allocation of central costs	(6,283)	786	598	(555)	(4,306)	(9,760)
Depreciation and amortisation*						(2,225)
Share of results from associates						-
Underlying group operating loss						(11,985)
Net finance income						1,235
Underlying group loss before tax						(10,750)
Non-underlying adjustments						(8,111)
Total group loss before tax from continuing operations						(18,861)

	Hubio	ingenie	Healthcare Services	BAS	Central	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Year ended 31 December 2015						
Underlying revenue	14,371	12,530	25,147	2,846	-	54,894
Underlying cost of sales	(7,324)	(7,451)	(13,864)	(2,466)	-	(31,105)
Underlying gross profit	7,047	5,079	11,283	380	-	23,789
Administrative expenses excluding depreciation and amortisation*	(16,350)	(5,290)	(11,610)	(1,101)	(9,049)	(43,400)
Underlying EBITDA before capitalisation of development expenditure	(9,303)	(211)	(327)	(721)	(9,049)	(19,611)
Capitalisation of development expenditure	2,996	1,028	322	-	174	4,520
Underlying EBITDA before allocation of central costs	(6,307)	817	(5)	(721)	(8,875)	(15,091)
Allocation of central costs	(1,983)	(333)	(319)	(876)	3,511	-
Underlying EBITDA after allocation of central costs	(8,290)	484	(324)	(1,597)	(5,364)	(15,091)
Depreciation and amortisation*						(4,240)
Share of results from associates						103
Underlying group operating loss						(19,228)
Net finance income						(291)
Underlying group loss before tax						(19,519)
Non-underlying adjustments						(158,469)
Total group loss before tax from continuing operations						(177,988)

*Depreciation added back above when calculating Underlying EBITDA from continuing operations excludes depreciation on telematics devices of £2,998,000 (2015: £4,176,000) which is included within cost of sales.

4. Non-underlying results

The non-underlying results of the business include the income and expenses of businesses classified as non-underlying by virtue of these not forming part of the long term plans for the group and as such are being wound down or disposed of. This includes Maine Finance, ingenie Canada and RAG. Businesses meeting this criterion which also meet the definition of a discontinued operation under IFRS 5 have been further classified as discontinued operations within the non-underlying results. This includes Quintica, BE Insulated (UK) Limited and Carbon Reduction Company (UK) Limited, and additionally in 2015, the PSD. The comparative amounts have been presented to be on a consistent basis.

Items which are considered to be exceptional in size, nature or incidence, or have potential significant variability year on year in non-cash items which might mask underlying trading performance are also included within non-underlying. In 2016 this includes providing for the escrowed receivable relating to the PSD disposal, which has been included alongside the discontinued operations to which it relates.

Non-underlying administrative expenses is analysed as follows:

	2016	2015
	£'000	£'000
Exceptional items:		
- Corporate restructuring	**425**	8,724
- Business restructuring	**1,415**	2,763
- Legal and regulatory	**(1,028)**	7,055

- Tax related matters	**(5,419)**	-
- Share based payments	**-**	3,914
- Impairments of non-cash assets	**6,627**	113,610
Total exceptional items	**2,020**	136,066
Other adjustments:		
- Share based payments	**441**	7,874
- Amortisation of acquired intangibles	**2,676**	10,957
- Other non-underlying administrative expenses	**4,956**	7,092
Total other adjustments	**8,073**	25,923
Total non-underlying administrative expenses	**10,093**	161,989

Other adjustments are not exceptional however do not relate to the ongoing future trade of the group and can vary significantly from year to year. Amortisation of acquired intangibles is significantly impacted by impairment charges in previous year.

Other non-underlying administrative expenses relate principally to the costs of businesses classified as non-underlying and central costs associated with the same. These are specifically identifiable external costs and do not include allocations of internal amounts.

Where items have become non-underlying in 2016 the comparable amounts in 2015 have been revised to also be classified on the same basis.

Impairments of non-cash assets above relates to:

	2016 **£'000**	2015 £'000
Goodwill	**6,814**	61,836
Other intangible assets	**178**	44,616
Tangible fixed assets	**-**	1,861
Investments	**-**	2,691
Inventory	**(365)**	2,606
	6,627	113,610

The corporate restructuring costs of £425,000 (2015: £8,724,000) for the year ended 31 December 2016 are stated after taking into account the release of unused provisions of £nil (2015: £2,586,000). In 2015, corporate restructuring costs consisted of acquisition related fees of £12,000 credit, employer's national insurance contributions in respect of the cashing out of options of £243,000, working capital and strategic review costs of £6,666,000 and costs associated with the return of capital of £1,827,000.

Business restructuring includes costs in relation to the wind down of ingenie Canada, the closure of Maine Finance and the RAG B2C business and is net of the release of provisions of £1,584,000.

The legal and regulatory credit of £1,028,000 includes the releases of provisions of £2,186,000 relating to legal disputes in the UK and the settlement of the Navseeker claim in the US. This is partially offset by additional legal fees in relation to recovery of the outstanding amounts held in escrow upon sale of the PSD. In 2015 costs of £7,055,000 are stated after taking into account the release of unused provisions of £5,538,000, which were created in 2014 and £12,593,000 of costs in relation to the known historical issues.

Tax related matters of £5,419,000 (2015: £nil) includes the reversal of £9,029,000 unused provisions (2015: £2,586,000). This reflects the settlement of historic tax matters with HMRC.

5. Goodwill

The movement in goodwill is as follows:

	Goodwill £'000
Cost	
At 1 January 2015	226,486
Additions – purchased	511
Arising on acquisition of subsidiaries	4,325
Disposal of a subsidiary	(4,875)
Transfer of assets of disposal group classified as held for sale	(36,028)
Exchange differences	(4,503)
At 1 January 2016	**185,916**
Exchange differences	**7,978**
At 31 December 2016	**193,894**
Impairment	
At 1 January 2015	128,654
Charge for the year	61,836
Disposal of a subsidiary	(1,836)
Transfer to assets of disposal group classified as held for sale	(27,487)
Exchange differences	(3,628)
At 1 January 2016	**157,539**
Charge for the year	**6,814**
Exchange differences	**6,320**
At 31 December 2016	**170,673**
Net book value	
31 December 2016	**23,221**
31 December 2015	28,377

Goodwill is allocated to the Group's CGUs as follows:

	2016 £'000	2015 £'000
Total Hubio	**-**	3,143
ingenie	**14,674**	14,674
Healthcare Services	**8,547**	6,889
BAS	**-**	3,671
	23,221	28,377

The categorisation and description of the Group's CGUs was revised in 2016 following strategic changes implemented by management.

Hubio-UK, previously comprised Metaskil and Hubio Technologies businesses. These have been separated in the year into two CGU's where all of the goodwill was allocated to the Metaskil CGU. Upon performing an impairment review of this goodwill against the projected cash flows of the business the goodwill has been written down to nil.

The RAG business (providers of GPS based safety camera and other such products for the UK consumer and commercial markets) represented a single CGU in 2015. During 2016, the consumer (B2C) elements of the RAG business has ceased with the remaining commercial elements of the business becoming Hubio Fleet. The RAG CGU has been split into two CGUs, RAG B2C and Hubio Fleet and the goodwill allocated between.

The BAS business was previously included within 'Other' along with the Maine Finance business. Since Maine Finance closed to new business in 2016 it no longer represents its own CGU and therefore BAS is now presented on its own.

Basis of valuation and key assumptions for impairment testing of goodwill and intangible assets

The recoverable amount of goodwill for businesses at the year-end is determined on the basis of Value in Use, using a discounted cash flow ("DCF") appraisal based on explicit forecast periods of between 2 and 3 years (2015: 5 to 7 years) to reflect the maturity of the businesses and/or markets they operate in. External market data has been used where possible and the Group has also drawn upon data used in its annual planning cycle, with reference to other market participants. In particular changes in working capital and future investments in non-current assets are key assumptions.

For each of the CGUs with significant amount of goodwill, the key assumptions used in the Value-in-Use calculations and recoverable amounts of goodwill are stated below.

2016	Hubio Fleet	RAG B2C	Metaskil	ingenie	Healthcare Services	BAS
Long term growth rate	2%	n/a	2%	2%	2%	2%
DCF appraisal period	4 years	n/a	3 years	3 years	3 years	3 years
Annualised revenue growth over DCF appraisal period	11%	n/a	7%	8%	5%	5%
Pre-tax discount rate	19%	n/a	13%	13%	15%	11%
Recoverable amount of goodwill (m)	£nil	n/a	£nil	£14.7	£8.5	£nil

2015		RAG	Hubio UK	ingenie	Healthcare Services	BAS
Long term growth rate		2%	2%	2%	2%	2%
DCF appraisal period		7 years	7 years	7 years	5 years	5 years
Annualised revenue growth over DCF appraisal period		9%	9%	6%	8%	6%
Pre-tax discount rate		17%	17%	18%	13%	12%
Recoverable amount of goodwill (m)		£3.0	£0.2	£14.7	£6.9	£3.7

Annualised revenue growth rates vary by operating division depending on the current development to maturity of the CGU. Hubio Fleet is higher due to the roll out of its newly developed proposition and the short appraisal period. In determining the applicable discount rate, management has applied judgement in respect of several factors, including, inter alia, assessing the risk attached to future cash flows. Pre-tax discount rates have been assessed for each CGU. The discount rate for Hubio Fleet reflects the risks associated with new product launches in a developing and immature market. Discount rates in the Healthcare Services and BAS CGUs are lower reflecting the reduced risk associated with those more mature markets.

Movement in Goodwill by CGU

The movement in goodwill by CGU is as follows:

	2015 £'000	Splitting of CGUs £'000	Foreign exchange movements £'000	Impairment £'000	2016 £'000
Hubio UK	171	(171)	n/a	n/a	n/a
Metaskil	n/a	171	-	(171)	-
RAG	2,972	(2,972)	n/a	n/a	n/a
RAG B2C	n/a	2,080	-	(2,080)	-
Hubio Fleet	n/a	892	-	(892)	-

Total Hubio	3,143	-	-	(3,143)	-
ingenie	14,674	-	-	-	14,674
Healthcare Services	6,889	-	1,658	-	8,547
BAS	3,671	-	-	(3,671)	-
Total	**28,377**	**-**	**1,658**	**(6,814)**	**23,221**

During 2016, changes in management have resulted in the Hubio UK CGU being split between Hubio Technologies and Metaskil, with the existing goodwill relating to Metaskil. Review of the carrying value of this goodwill against the forecast cashflows of Metaskil alone result in an impairment charge of £171,000 against this CGU.

Similarly, in 2015 RAG represented a single CGU. In 2016 this business was split in to two, representing the RAG B2C products and the Fleet management products. The goodwill was allocated between the two CGUs on the basis of revenues at acquisition. The B2C business ceased in the year and consequently its allocated goodwill has been impaired to £nil (a charge of £2,080,000). The remaining business has become Hubio Fleet, and includes a new product to market. Due to the uncertainties surrounding the future success of a new product and the upfront investment in working capital required this goodwill has also been impaired to £nil (a charge of £892,000).

Despite the strong revenue growth in BAS an impairment charge of £3,671,000 arises from reassessment of the prospects for the business in a highly competitive and mature market.

If there were an increase in the pre-tax discount rate of 1 percentage point there would be no additional impairments to the amounts above. Similarly, if there were a decrease of 1 percentage point in the long term growth rate or annualized revenue growth over the DCF appraisal period there would be no additional impairments to the amounts above.

6. Provisions

	Tax related matters £'000	**Legal disputes £'000**	**Onerous contracts £'000**	**Other £'000**	**Total £'000**
At 1 January 2015	21,108	7,538	1,511	2,867	33,024
Additional provisions	6,586	4,400	6,502	1,885	19,373
Unused amounts released	(3,716)	(5,538)	-	-	(9,254)
Used during the year	(435)	-	(4,370)	(1,328)	(6,133)
At 1 January 2016	**23,543**	**6,400**	**3,643**	**3,424**	**37,010**
Additional provisions	**3,231**	**1,814**	**525**	**3,315**	**8,885**
Unused amounts released	**(9,181)**	**(1,300)**	**(100)**	**(144)**	**(10,725)**
Used during the year	**(2,500)**	**(800)**	**(1,349)**	**(2,313)**	**(6,962)**
Exchange movements	**-**	**-**	**-**	**33**	**33**
At 31 December 2016	**15,093**	**6,114**	**2,719**	**4,315**	**28,241**
Split:					
Non-current	-	419	-	6	425
Current	15,093	5,695	2,719	4,309	27,816

Tax related matters

A provision for tax-related matters has been established with respect to judgemental tax positions primarily in relation to historic PAYE and VAT issues which have not yet been resolved. Key judgements exist around the classification of certain transactions and therefore the related tax treatment. The amount provided represents the Directors' estimate of the likely outcome based upon the information available; however the ultimate settlement may be different. The Group is taking steps to resolve this and believe the majority will be settled within twelve months from the balance sheet date.

Certain elements of the provisions held at 31 December 2015 have been settled during the year at amounts less than managements' estimate of the expected outflow at the time of the preparation of the 31 December 2015 Financial Statements. Any provision held over and above any specific settlement amount have been released as unused.

Legal disputes

On 5 August 2015, the SFO informed the Group that it had opened an investigation, which relates to past business and accounting practices at the Group. The Group is co-operating fully with the SFO investigation. At this stage, the timing of completion of the SFO investigation and its conclusions cannot be anticipated. Therefore, having taken external advice, no liability has been recognised at the balance sheet date as it is not possible to reliably estimate a liability (if any) in respect of this matter.

On 14 December 2015, the Company received a letter of claim from a law firm ("Claimant Firm") acting for 342 claimants commencing an action against the Company under the Financial Services and Markets Act 2000 ("Letter of Claim"). Despite the Company's endeavours in correspondence with the Claimant Firm, the Company is not in a position to verify the assertions in the Letter of Claim which, inter alia, details the expected value of the potential claims against the Company to be approximately £9.4 million. No proceedings have been commenced to date in respect of this matter. Having taken external advice, no liability has been recognised at the balance sheet date as it is not possible to reliably estimate a liability (if any) in respect of this matter.

The amount provided in respect of these legal cases is in respect of defence costs and is considered to be in the mid-range of possible outcomes given the uncertainty in relation to these outcomes. If successful in defending these disputes then the final costs may be lower than the total provision recognised above. Additional provisions in the table above relate to expected legal costs to defend a claim arising after the retention of the PSD escrow monies. This is in addition to further amounts being provided for the expected legal costs of the other matters discussed above, although no amounts have been provided for the costs of any actual settlement

Additional provisions in the table above relate to expected legal costs to defend a claim arising after the retention of the PSD escrow monies. This is in addition to further amounts being provided for the expected legal costs of the other matters discussed above, although no amounts have been provided for the costs of any actual settlement.

Amounts used during the year represents legal costs incurred to date as a result of the above items. The provisions will be utilised further as the cases progress.

There were also a number of other smaller legal cases outstanding for which £2,000,000 was provided at 31 December 2015. £1,000,000 of unused amounts released relates to a historic technology related dispute within one of the Group's trading entities. Since no further correspondence has been received on this matter during 2016 the related provision has been released to the Consolidated Income Statement. A further £300,000 has been released due to agreement being reached over a historic claim which will now be settled during the first half of 2017.

Onerous contracts

Where contracted income is expected to be less than the related expected expenditure the difference is provided in full. The timing and amount of these items can be reasonably determined. The majority of the amount provided at 31 December 2016 relates to three onerous property leases and therefore amounts used during the year relate to the ongoing costs of these obligations. Management are looking to sublet or settle these obligations within twelve months. Unused amounts reversed is a consequence of a change in estimate regarding the timing of the settlement of one such lease and new provisions relate to additional property being vacated during the year.

Other

Provisions have been established for expected costs where a commitment has been made at the balance sheet date and for which no future benefit is anticipated. No reimbursement has been recognised in relation to any provision as there is no certainty of recovery or reliable means of estimation. This primarily relates to three areas, commission clawback relating to non-underlying businesses, warranties provided by the Group and outstanding restructuring payments and has given rise to an additional £3,315,000 charge in 2016. With the exception of the latter, the exact timing and quantum of the amounts is uncertain and the provision is based upon historic trends in these businesses. The amounts of the restructuring provision can be reasonably estimated and are time bound within an upper limit of one year. Amounts used in the year primarily relate to commission clawback and unused amounts released are as a result of actual device warranty claims being lower than previously anticipated.

7. Impairment of escrow consideration receivable relating to the disposal of the Professional Services Division

£50,120,000 (including interest) of the PSD sale consideration is retained in a joint escrow account ("Warranty Escrow") until the expiration of the warranty period or settlement of a claim. In September 2016, Slater & Gordon ("S&G") notified the Group of a purported claim in respect of its acquisition of the PSD. In November 2016, S&G obtained an opinion from an independent barrister in respect of the Warranty Escrow that based solely on the information presented to him (and on the assumption that no further evidence would be provided) that the purported claim has on balance a prospect of success and that, if successful, such claim would be likely to have a value of £53,000,000 ("Opinion").

As yet no proceedings have been brought and the Group will defend such claim robustly if commenced. Since proceedings have not been issued to the Company disclosure of key evidence (if any exists) in support of the merits or quantum of a claim cannot yet be enforced. Since the escrow monies have been retained in the Warranty Escrow at this time, the Company has fully provided against its recoverability at 31 December 2016. The Company believes the escrow monies will be sufficient to settle a claim (if any).