

# FINANCIAL RESULTS

for the year ended 31 December 2017



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# Key summary

- Underlying business revenues increased to £44.9m (2016: £42.7m)
  - Underlying comprises Healthcare, ingenie and Central
- Underlying EBITDA loss of £3.6m (2016: £4.9m)
- Group operating loss of £7.4m (2016: £4.5m)
- Total loss after tax of £2.6m (2016: £69.1m)
- Group net assets (excluding escrow and contingent liabilities) of £66.1m representing approximately 144 pence per share
- Group cash including term deposits at 31 December 2017 £62.8m (£60.3m as at 20 April 2018)
- Continued reduction in Group complexity through sale or closure of the majority of loss making, cash consumptive businesses
- Successful resolution of a number of legacy tax matters and other obligations resulting in the release of provisions of £10.3m (2016: £10.7m)

# Consolidated Income Statement

for the year ended 31 December	2017	2017	2017	2016	2016	2016
	Underlying	Non-underlying	Total	Underlying	Non-underlying	Total
	£'m	£'m	£'m	£'m	£'m	£'m
<b>Revenue</b>	<b>44.9</b>	-	<b>44.9</b>	<b>42.7</b>	<b>1.0</b>	<b>43.6</b>
<b>Cost of sales</b>	<b>(24.6)</b>	-	<b>(24.6)</b>	<b>(23.1)</b>	<b>(1.0)</b>	<b>(24.1)</b>
<b>Gross profit</b>	<b>20.3</b>	-	<b>20.3</b>	<b>19.6</b>	-	<b>19.6</b>
Administrative expenses	(25.0)	(2.7)	(27.7)	(25.6)	1.6	(24.0)
<b>Group operating (loss)/profit</b>	<b>(4.7)</b>	<b>(2.7)</b>	<b>(7.4)</b>	<b>(6.0)</b>	<b>1.6</b>	<b>(4.5)</b>
Net finance income	0.2	2.3	2.5	0.2	0.8	1.1
<b>(Loss)/profit before taxation</b>	<b>(4.4)</b>	<b>(0.5)</b>	<b>(5.0)</b>	<b>(5.8)</b>	<b>2.4</b>	<b>(3.4)</b>
Taxation	0.8	-	0.8	(0.8)	0.2	(0.6)
<b>(Loss)/profit after taxation for the year from continuing operations</b>	<b>(3.7)</b>	<b>(0.5)</b>	<b>(4.2)</b>	<b>(6.6)</b>	<b>2.6</b>	<b>(4.0)</b>
Provision against escrow receivable	-	-	-	-	(50.1)	(50.1)
Net gain on disposal of discontinued operations	-	4.9	4.9	-	0.3	0.3
Loss for the year from discontinued operations	-	(3.4)	(3.4)	-	(15.3)	(15.3)
<b>(Loss)/profit after taxation for the year</b>	<b>(3.7)</b>	<b>1.1</b>	<b>(2.6)</b>	<b>(6.6)</b>	<b>(62.5)</b>	<b>(69.1)</b>

## NOTES

- Underlying split from Non-underlying
- Underlying comprises: Healthcare, ingenie and Central
- Discontinued during the year:
  - Hubio sold or closed
  - BAS sold
- Non-underlying includes exceptional and other non-recurring items as well as discontinued business
- Underlying operating loss of £4.7m, Underlying EBITDA loss of £3.6m (see next slide)
- Roundings have been left uncorrected throughout

# Underlying business results

for the year ended 31 December	ingenie	Healthcare	Central	Total
	£'m	£'m	£'m	£'m
<b>2017</b>				
<b>Revenue</b>	<b>14.4</b>	<b>30.5</b>	-	<b>44.9</b>
Cost of sales	(8.0)	(16.6)	-	(24.6)
Gross profit	6.4	13.9	-	20.3
Administrative expenses excluding depreciation and amortisation	(5.1)	(13.1)	(5.6)	(23.9)
Underlying EBITDA	1.3	0.7	(5.6)	(3.6)
Depreciation and amortisation				(1.1)
Underlying group operating loss				(4.7)
<b>2016</b>				
<b>Revenue</b>	<b>13.9</b>	<b>28.8</b>	-	<b>42.7</b>
Cost of sales	(7.6)	(15.5)	-	(23.1)
Gross profit	6.4	13.2	-	19.6
Administrative expenses excluding depreciation and amortisation	(4.9)	(12.1)	(7.5)	(24.5)
Underlying EBITDA	1.4	1.2	(7.5)	(4.9)
Depreciation and amortisation				(1.1)
Underlying group operating loss				(6.0)

## NOTES

- No longer includes Hubio or BAS as they are discontinued
- Given the discontinued businesses and strategic direction of the Group we have ceased to:
  - show the allocation of capitalised development expenditure separately
  - allocate a proportion of central costs to the business segments, all costs remain in the central segment

# Central costs

for the year ended 31 December	2017	2016
	£'m	£'m
Total underlying	5.6	7.5
Non-underlying	1.3	3.0
<b>Total</b>	<b>6.9</b>	<b>10.5</b>

## NOTES

- Central costs reduced during 2017 as scope and complexity of Group reduced
- Significant further reduction executed as at 31 December 2017
- Non-underlying costs typically external fees in relation to resolution of legacy matters

# Exceptional and other non-underlying items

Year ended 31 December £'m	2017	2016
<b>Non-underlying gross profit</b>	-	-
<b>Net finance (expense)/income</b>	(0.1)	0.8
<b>Amortisation of acquired intangibles</b>	(1.4)	(1.7)
<b>Other non-underlying expenses (inc admin expenses of closed businesses not classified as discontinued)</b>	(1.1)	(3.9)
<b>Exceptional items:</b>		
<b>Legal and regulatory</b>	(3.5)	1.1
<b>Tax related matters</b>	9.0	5.8
<b>Impairments (ingenie goodwill)</b>	(5.6)	-
<b>Restructuring and other</b>	(0.1)	0.2
<b>Finance income</b>	2.4	-
<b>Total non-underlying (loss)/profit before tax</b>	<b>(0.5)</b>	<b>2.4</b>

## NOTES

- ingenie goodwill impairment of £5.6m:
  - Revised enterprise value (NPV) of £11.2m
  - Revised goodwill of £9.1m

# Discontinued operations

Year ended 31 December 2017 £'m	Treatment	Profit on disposal	Loss after tax
<b>Hubio:</b>			
• Fleet	Asset/liability held for sale		
• Canadian non-telematics assets	Asset/liability held for sale		
• Canadian telematics	Closed		
• US telematics	Closed		
• Dundee IT	Closed		
• Metaskil	Sold		
• Assets and trade of Hubio Technologies	Sold		
<b>Total Hubio</b>		2.3	
<b>BAS</b>	Sold	<u>2.6</u>	
<b>Total discontinued</b>		<b>4.9</b>	<b>(3.4)</b>

**Notes:**

Fleet sold in February 2018

Canadian non-telematics assets sold in January 2018



# Profit after tax bridge from 2016 to 2017

	£'m	£'m
<b>2016 loss after tax</b>		<b>(69.1)</b>
Underlying business loss after tax improvement		2.9
Non-underlying loss after tax deterioration		(3.1)
<b>Provision against escrow receivable</b> <i>(in 2016 only)</i>		50.1
<b>Discontinued operations</b>		
Profit on sale increase	4.6	
Reduction in losses for the year	11.9	16.5
<b>2017 loss after tax</b>		<b>(2.6)</b>

# Cash Flow

for the year ended 31 December	2017	2016
	£m	£m
Net cash used by operating activities	<b>(15.9)</b>	(19.8)
Net cash used in investing activities	<b>(4.7)</b>	(41.4)
Net cash (used in)/generated by financing activities	<b>(0.1)</b>	0.6
Net decrease in cash and cash equivalents	<b>(20.8)</b>	(60.7)
Cash and cash equivalents at the end of the year	<b>22.8</b>	43.7
Term deposits	<b>40.0</b>	37.5
Cash including term deposits	<b>62.8</b>	81.2

## NOTE

- Net cash used in investing activities include an additional £2.5m placed on rolling term deposits

# Analysis of Balance Sheet

## Bridge from 2016 to 2017 by business segment

as at 31 December	Central	Healthcare	ingenie	Discontinued and Non- underlying	Total
	£'m	£'m	£'m	£'m	£'m
<b>2016</b>	<b>49.1</b>	<b>7.8</b>	<b>18.2</b>	<b>(6.6)</b>	<b>68.5</b>
Underlying EBITDA	(5.6)	0.7	1.3	-	(3.6)
Discontinued & Non-Underlying EBITDA	(1.3)	-	-	(2.3)	(3.6)
Exceptional items	5.0	-	(5.6)	5.4	4.8
Preference share credit	-	2.4	-	-	2.4
Other income statement	0.8	(1.5)	(0.9)	(1.0)	(2.6)
Balance sheet movements including exchange in reserves	(3.5)	(0.5)	0.2	4.0	0.2
<b>2017</b>	<b>44.5</b>	<b>8.9</b>	<b>13.2</b>	<b>(0.5)</b>	<b>66.1</b>

Intercompany balances are excluded from the above analysis

# Provisions

£'m	Tax related matters	Legal and regulatory disputes	Onerous contracts	Other	Total
<b>At 1 January 2017</b>	<b>15.1</b>	<b>6.1</b>	<b>2.7</b>	<b>4.3</b>	<b>28.2</b>
Additional provisions	-	2.8	0.1	0.9	<b>4.0</b>
Unused amounts released	(9.1)	-	(0.2)	(1.0)	<b>(10.3)</b>
Used during the year	(2.8)	(1.6)	(2.1)	(2.3)	<b>(8.7)</b>
<b>At 31 December 2017</b>	<b>3.2</b>	<b>7.4</b>	<b>0.5</b>	<b>2.0</b>	<b>13.1</b>

# Analysis of Balance Sheet

## Assets/liabilities by proximity to cash

as at 31 December	2017	2016
	£'m	£'m
Cash including term deposits	<b>62.8</b>	81.2
PSD escrow balance ( <i>gross £50.1m less impairment £50.1m</i> )	-	-
Other net current liabilities/assets	<b>(19.6)</b>	(41.2)
Creditors, loans and provisions over one year	<b>(4.0)</b>	(7.3)
Non-current assets	<b>26.8</b>	35.8
<b>Net assets</b>	<b>66.1</b>	68.5

### NOTES

- Included in liabilities are legal, taxation and other provisions of £13.1m.
- Non current assets include:
  - Goodwill £17.4m
  - Intangibles £4.8m
  - PPE £3.8m



# Ongoing actions and plans

- Support management teams in growing businesses for future disposal
- Resolve and mitigate legacy matters principally at the plc level
- Manage cash and other assets with care and prudence
- Defend litigation and optimise returns from NIHL assets
- Operate with strong corporate governance

Watchstone.