

FINANCIAL RESULTS

for the six months ended 30 June 2019



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Key summary

- Underlying business revenues at £18.6m (2018: £19.7m)
 - Underlying comprises Healthcare, ingenie and Central
- Underlying EBITDA loss of £1.6m (2018: £2.0m)
 - £0.2m ingenie development cost in 2019, offset by IFRS 16, 'Leases' benefit of £1.3m
- Group operating loss of £6.9m (2018: £3.6m)
- Total loss after tax of £7.3m (2018: £2.6m)
- Group net assets (excluding escrow and contingent asset/liabilities) of £40.1m representing approximately 87 pence per share (excluding minorities)
- Group cash including term deposits at 30 June 2019 of £41.1m (£37.9m as at 31 August 2019)
- Significant progress in resolution of outstanding litigation. S&G claim and counterclaim trial scheduled for October 2019

Consolidated Income Statement

for the six months ended 30 June	2019 Underlying	2019 Non- underlying	2019 Total	2018 Underlying	2018 Non- underlying	2018 Total
	£'m	£'m	£'m	£'m	£'m	£'m
Revenue	18.6	-	18.6	19.7	-	19.7
Cost of sales	(10.8)	-	(10.8)	(11.0)	-	(11.0)
Gross profit	7.8	-	7.8	8.7	-	8.7
Administrative expenses	(11.4)	(3.3)	(14.7)	(11.5)	(0.8)	(12.3)
Group operating (loss)/profit	(3.6)	(3.3)	(6.9)	(2.8)	(0.8)	(3.6)
Finance income	0.2	-	0.2	0.2	-	0.2
Finance expense	(0.6)	-	(0.6)	(0.1)	-	(0.1)
Loss before taxation	(4.0)	(3.3)	(7.3)	(2.7)	(0.8)	(3.5)
Taxation	-	-	-	0.1	-	0.1
Loss after taxation for the period from continuing operations	(4.0)	(3.3)	(7.3)	(2.6)	(0.8)	(3.4)
Net gain on disposal of discontinued operations	-	-	-	-	0.5	0.5
Profit/(loss) for the period from discontinued operations	-	-	-	-	0.3	0.3
(Loss) /profit after taxation for the period	(4.0)	(3.3)	(7.3)	(2.6)	-	(2.6)

NOTES

- Underlying split from Non-underlying
- Underlying comprises: Healthcare, ingenie and Central
- Non-underlying includes exceptional and other non-recurring items as well as discontinued business

Underlying business results

for the six months ended 30 June	ingenie	Health	Central	Total
	£'m	£'m	£'m	£'m
2019				
Revenue	3.3	15.3	-	18.6
Cost of sales	(2.1)	(8.7)	-	(10.8)
Gross profit	1.2	6.6	-	7.8
Development cost of changing outsourcing provider	(0.2)	-	-	(0.2)
Administrative expenses excluding depreciation and amortisation	(2.5)	(5.2)	(1.5)	(9.2)
Underlying EBITDA	(1.5)	1.4	(1.5)	(1.6)
Depreciation and amortisation				(2.0)
Underlying group operating loss				(3.6)
2018				
Revenue	4.7	15.0	-	19.7
Cost of sales	(2.7)	(8.3)	-	(11.0)
Gross profit	2.0	6.7	-	8.7
Administrative expenses excluding depreciation and amortisation	(2.6)	(6.2)	(1.9)	(10.7)
Underlying EBITDA	(0.6)	0.5	(1.9)	(2.0)
Depreciation and amortisation				(0.8)
Underlying group operating loss				(2.8)

NOTES

- Central costs reduced in line with reduction in central team
- EBITDA year on year as benefited from the adoption of IFRS 16, 'Leases' by £1.3m, split £1.1m Health and £0.2m ingenie
- Healthcare result is broadly flat
- Ingenie reflects decline in H2 2018. Change of outsourcing provider in H1 2019. First growth in policy book in recent history occurred in June 2019.

Exceptional and other non-underlying items

for the six months ended 30 June	2019	2018
	£m	£m
Exceptional items		
- Legal and regulatory expenses	3.0	2.6
- Legal settlements	-	(1.3)
- Tax related matters	-	(0.8)
- (Realisation)/Impairment of non-cash assets	-	(0.3)
- Restructuring	0.2	-
Total exceptional items	3.2	0.2
Other adjustments		
- Amortisation of acquired intangibles	0.1	0.6
Total other adjustments	0.1	0.6
Total non-underlying administrative expenses	3.3	0.8

NOTES

- Legal and regulatory: S&G provision increase
- Restructuring is primarily departure of former Group Finance Director.

Profit after tax bridge

	£'m	£'m	Comment
2018 loss after tax		(2.6)	
Underlying business loss after tax deterioration		(1.4)	ingenie
Non-underlying loss after tax deterioration		(2.5)	Legal provisions
Discontinued operations			
No 2019 profit on sale	(0.5)		
No result from discontinued operations in 2019	(0.3)		
		(0.8)	
2019 loss after tax		(7.3)	

Cash Flow

for the six months ended 30 June	2019	2018
	£m	£m
Net cash used by operating activities	(6.9)	(3.3)
Net cash generated by investing activities	9.3	9.2
Net cash used in financing activities	(1.4)	(0.4)
Net increase in cash and cash equivalents	1.0	5.5
Cash and cash equivalents at the end of the period	11.1	28.4
Term deposits	30.0	30.0
Cash including term deposits	41.1	58.4

NOTE

- Investing activities include movement in term deposits

Provisions

£'m	Tax related matters	Legal and regulatory disputes	Onerous contracts	Other	Total
At 1 January 2019	1.7	8.2	0.1	1.4	11.4
Additional provisions	-	2.7	-	0.1	2.8
Unused amounts released	-	(0.1)	-	-	(0.1)
Used during the year	-	(4.0)	-	(0.5)	(4.5)
At 30 June 2019	1.7	6.8	0.1	1.0	9.6

Analysis of Balance Sheet

Assets/liabilities by proximity to cash

as at	30 June 2019	31 December 2018
	£'m	£'m
Cash including term deposits	41.1	50.1
PSD escrow balance (<i>gross £50.3m less impairment £50.3m</i>)	-	-
Other net current liabilities/assets	(16.4)	(15.8)
Creditors, loans and provisions over one year	(12.7)	(1.4)
Non-current assets	28.1	13.9
Net assets	40.1	46.8

NOTES

- Included in liabilities are legal, taxation and other provisions of £9.6m.
- Adoption of IFRS 16, Leases, results in a significant gross up between non-current assets and liabilities.
- Non current assets include:
 - Goodwill £8.5m
 - Intangibles £2.9m
 - PPE £15.8m (Leases impact)
 - Other receivables £0.9m



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.