

FINANCIAL RESULTS

for the year ended 31 December 2019



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Key summary

- Revenues of £7.3m (2018: £7.8m)
- Total profit after tax of £30.9m (2018: Loss after tax of £18.9m)
- Underlying EBITDA loss of £5.5m (2018: £5.4m)
- Group operating loss of £6.8m (2018: £19.0m)
- Group net assets of £77.7m representing approximately 169 pence per share
- Central costs reduced to £2.9m (2018: £3.5m)
- Group cash and term deposits at 31 December 2019 of £71.6m (£89.0m as at 30 April 2020)

Consolidated Income Statement

for the year ended 31 December	2019	2019	2019	2018	2018	2018
	Underlying	Non-underlying	Total	Underlying	Non-underlying	Total
	£'m	£'m	£'m	£'m	£'m	£'m
Revenue	7.3	-	7.3	7.8	-	7.8
Cost of sales	(5.4)	-	(5.4)	(4.4)	-	(4.4)
Gross profit	2.0	-	2.0	3.5	-	3.5
Administrative expenses	(8.1)	(0.7)	(8.7)	(9.1)	(13.3)	(22.5)
Group operating loss	(6.1)	(0.7)	(6.8)	(5.6)	(13.3)	(19.0)
Net finance income	0.1	-	0.1	0.4	-	0.4
Loss before taxation	(6.0)	(0.7)	(6.6)	(5.3)	(13.3)	(18.6)
Taxation	0.2	-	0.2	0.2	-	0.2
Loss after taxation for the year from continuing operations	(5.8)	(0.7)	(6.4)	(5.1)	(13.3)	(18.4)
Net gain on disposal of discontinued operations	-	-	-	-	0.6	0.6
Profit/(loss) for the year from discontinued operations	-	37.3	37.3	-	(1.0)	(1.0)
(Loss)/profit after taxation for the year	(5.8)	36.7	30.9	(5.1)	(13.8)	(18.9)

NOTES

- Underlying split from Non-underlying
- Underlying comprises: ingenie and Central
- Discontinued during the year:
 - Healthcare Services
- PSD settlement results in reversal of escrow provision within discontinued operations.
- Non-underlying includes exceptional and other non-recurring items as well as discontinued business
- Underlying EBITDA loss of £5.5m (see next slide)
- Roundings have been left uncorrected throughout

Underlying business results

for the year ended 31 December	ingenie £'m	Central £'m	Total £'m
2019			
Revenue	7.3	-	7.3
Cost of sales	(5.4)	-	(5.4)
Gross profit	2.0	-	2.0
Administrative expenses excluding depreciation and amortisation	(4.6)	(2.9)	(7.5)
Underlying EBITDA	(2.6)	(2.9)	(5.5)
Depreciation and amortisation			(0.6)
Underlying group operating loss			(6.1)
2018			
Revenue	7.8	-	7.8
Cost of sales	(4.4)	-	(4.4)
Gross profit	3.5	-	3.5
Administrative expenses excluding depreciation and amortisation	(5.4)	(3.5)	(8.9)
Underlying EBITDA	(1.9)	(3.5)	(5.4)
Depreciation and amortisation			(0.2)
Underlying group operating loss			(5.6)

Central costs

for the year ended 31 December	2019	2018
	£'m	£'m
Total underlying	2.9	3.5
Non-underlying	1.0	1.1
Total	3.9	4.6

NOTES

- Central costs continued to be reduced during 2019 as the scope and complexity of the Group reduced
- Non-underlying costs are £0.7m legal fees in relation to the resolution of legacy matters and £0.3m restructuring costs.

Exceptional and other non-underlying items

Year ended 31 December	2019 £'m	2018 £'m
Non-underlying gross profit	-	-
Net finance expense	-	-
Amortisation of acquired intangibles	-	(0.5)
Exceptional items:		
Legal and regulatory expenses	(1.6)	(5.7)
Legal settlements	1.0	0.2
Tax related matters	-	1.6
Net Impairments	-	(9.1)
Restructuring and other	(0.1)	0.2
Finance income	-	-
Total non-underlying loss before tax	(0.7)	(13.3)

Profit after tax bridge from 2018 to 2019

	£'m	£'m
2018 loss after tax		(18.9)
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Continuing operations		
Underlying business loss after tax deterioration	(0.7)	
Non-underlying loss after tax improvement	12.7	12.0
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Discontinued operations		
Profit on sale less	(0.6)	
Results of discontinued businesses	(1.0)	
PSD settlement	39.4	37.8
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2019 profit after tax		30.9

Cash Flow

for the year ended 31 December	2019	2018
	£m	£m
Net cash generated from/(used by) operating activities	31.0	(8.5)
Net cash generated by/(used) in investing activities	18.9	(1.8)
Net cash used in financing activities	(2.8)	(2.5)
Net increase/(decrease) in cash	47.1	(12.7)
Cash at the end of the year	57.2	10.1
Term deposits	15.0	40.0
Cash including term deposits	72.2	50.1

NOTE

- Net cash generated by investing activities includes £25.0m more maturing from term deposits than was invested. This was nil in 2018.
- Cash at the end of 2019 includes amounts included within assets held for sale

Analysis of Balance Sheet

Bridge from 2018 to 2019 by business segment

as at 31 December	Central	ingenie	Discontinued and Non- underlying	Total
	£'m	£'m	£'m	£'m
2018	35.7	0.6	10.5	46.8
Underlying EBITDA	(2.9)	(2.6)	-	(5.5)
Exceptional items	(1.0)	-	42.4	41.4
Other income statement	(0.3)	(0.5)	(4.2)	(5.0)
Funding of preference share redemptions	(1.9)	-	1.9	-
Balance sheet movements including exchange in reserves	37.2	2.8	(40.0)	-
2019	66.8	0.3	10.6	77.7

Intercompany balances are excluded from the above analysis

Provisions

£'m	Tax related matters	Legal disputes	Onerous contracts	Other	Total
At 1 January 2019	1.7	8.2	0.1	1.4	11.4
Additional provisions	-	3.7	0.1	0.4	4.2
Unused amounts released	(1.7)	(0.1)	-	(1.0)	(2.8)
Used during the year	-	(8.0)	(0.1)	(0.5)	(8.6)
At 31 December 2019	-	3.8	0.1	0.3	4.2

Analysis of Balance Sheet

Assets/liabilities by proximity to cash

as at 31 December	2019	2018
	£'m	£'m
Cash including term deposits	71.6	50.1
Net assets of businesses classified as held for sale	9.9	-
Other net current liabilities/assets	(5.5)	(15.8)
Creditors, loans and provisions over one year	-	(1.4)
Non-current assets	1.7	13.9
Net assets	77.7	46.8

NOTES

- Included in liabilities are provisions of £4.2m.
- Non current assets include:
 - Intangibles £0.8m
 - PPE £0.6m
 - Other receivables £0.3m



Ongoing actions and plans

- Support ingenie ahead of future disposal
- Return of cash to shareholders
- Manage cash and other assets with care and prudence
- Defend litigation
- Pursue litigation when in the best interests of shareholders
- Operate with strong corporate governance

Watchstone.