Watchstone Group plc

Annual Report and Financial Statements for the year ended 31 December 2019

In this year's Report

Key Summary

- Revenues of £7.3m (2018: £7.8m)
- Total profit after tax £30.9m (2018: Loss of £18.9m)
- Underlying[2] EBITDA[3] 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 (2018: 101 pence per share)
- Underlying central costs[1] reduced to £2.9m (2018: £3.5m)
- Group cash and term deposits at 31 December 2019 of £71.6m (31 December 2018: £50.1m)

1 A reconciliation of underlying central costs to statutory measures can be found in note 6 to the Financial Statements.

2 Underlying comprises ingenie and Central. See note 1 to the Financial Statements for details on Underlying and Non-Underlying classification.

3 EBITDA is Earnings Before Interest Tax Depreciation and Amortisation. A reconciliation of statutory measures to alternative measures can be found in note 5 to the Financial Statements.

Chairman's Report

2019 was an important year for the Group as we continue along the path of resolving the outstanding legacy issues of the Group and the divesting of our operating businesses. Once again, we reduced costs and the size of our central overhead with Board changes, the closure of our central office and further reduction of other such costs.

A huge amount of work was required by us to defend the serious but unmerited claims made by Slater & Gordon (UK) 1 Limited ("S&G") which we ultimately settled shortly before the commencement of the trial in October 2019. During the course of the S&G litigation we identified claims against other third parties which we are pursuing.

After the year end, on 27 April 2020, the Serious Fraud Office ("SFO") informed us that the Company will not be prosecuted for criminal offences in respect of those matters which were the subject of the investigation. We are pleased with this outcome which came after full co-operation and engagement with the SFO.

We remain on track with the execution of our plan to prepare our businesses for future disposal and to do so when appropriate. In September 2019, an agreement was reached to dispose of our Canadian physiotherapy clinic and technology business, ptHealth, and the transaction completed in February 2020 after regulatory approval. We believe this represents good value for our shareholders and I would like to thank the Healthcare Services team for their hard work during the Group's ownership of the business. We wish them well under their new ownership.

These events have left the Group with significant cash reserves and we are taking steps to return the majority of this to shareholders in a tax efficient manner, being mindful of the continuing legal matters in the Group. As announced in April 2020, notwithstanding the COVID-19 situation, we hope to complete this further cash return of £50.5m before the end of June 2020. The shareholders approved this return of cash on 27 April 2020, and if approved by the Court, this would bring the total cash returned to shareholders to approximately £465 million in aggregate. As we continue to resolve the remaining legacy issues, we hope to return more cash to shareholders as soon as practicable.

We continue to address these historical matters and to manage our remaining trading business, ingenie, to maximise future value for shareholders.

ingenie's business has been on a journey of development and recovery for some time but has inevitably been impacted by the COVID-19 restrictions and its board has taken the steps necessary to protect the business for when the situation resolves. Further details are provided in section 1.3.1 of the Strategic Report.

There is still much work to be done, both at the Group level and within ingenie, and I would like to thank our colleagues for their commitment. I would also like to thank our shareholders who have been patient and maintained support for the Company as the intense work to maximise value from all our assets has continued. As always, the Board remains confident that we will go on to reward that support.

Richard Rose
Non-executive Chairman

Group Chief Executive Officer's Update

When I became Group Chief Executive Officer in January 2018, I used an analogy that we were trying to land a number of planes concurrently circling overhead to describe the complex task in hand. Our aim has been to land as many of the planes as quickly, safely and efficiently as possible. With the matters completed in 2019 and since year end we are now well advanced on that plan.

Having resolved the S&G litigation and disposed of our Healthcare Services business we will be distributing the majority of our excess cash to shareholders (subject to Court approval) before the half year. On 27 April 2020, we were notified by the SFO that, whilst the investigation being undertaken by it into historical matters continues, the Company is no longer a suspect and will not be liable to prosecution. This was another major development towards our ultimate aims of resolving all of our remaining legacy matters and generating as much value as we can from our remaining assets.

Business review: ingenie

In March 2019, ingenie completed a transformational move of its policy administration to a new provider. This significant development allows ingenie's consumer business to better control its proposition and whilst ingenie's retail business continued to face difficult market conditions in 2019, changes are now bearing fruit with new policy sales at their highest levels for a number of years. The programme supporting our external customer in the Netherlands, ANWB, continues to perform well and the contract was extended during the year. Furthermore, ingenie recently signed a deal with a leading insurance brand to provide their telematics offering. This will also add incremental revenues to both the retail and SaaS/B2B sides of the business. ingenie's business has been inevitably impacted by the COVID-19 restrictions and its board has taken the steps necessary to protect the business for when the situation resolves. Further details are provided in section 1.3.1 of the Strategic Report.

Update on outstanding legacy matters

We will continue to cooperate with the continuing SFO investigation but the Company itself is no longer a suspect and will not be prosecuted in respect of it.

Whilst we understand that the previously threatened class action litigation first announced in September 2015 has been abandoned, a firm purporting to act for a group of twelve individuals (some of whom participated in the original threatened litigation) submitted a "Notice of intended claim" to the Company in November 2019. However, it provides no information to support the validity or valuation of the individual prospective claimants' claims, which they would be required to prove in due course in any litigation. We responded fully to this correspondence, outlining our view that the purported claim had no legal merit, because the legal tests for bringing a claim of this sort were not satisfied. The Company will vigorously defend all such claims if so brought.

We continue to pursue a number of contingent but valuable assets including potential legal claims.

2020 outlook

We will look to dispose of our remaining trading business when we believe the optimal return for shareholders can be achieved and will manage the business prudently until this time whilst continuing to support development of its leading market offering and technology. Central costs will be carefully managed at reduced levels consistent with the needs of the organisation.

Stefan Borson
Group Chief Executive Officer

Strategic Report

1. Business Review

1.1 About Watchstone

The Company is now focused on managing the Group's remaining business, cash and other corporate assets and legacy issues in order to achieve maximum shareholder value. On 9 April 2020, the Company announced and published its proposals to return excess capital of £50.5 million to shareholders (subject to shareholder and Court approval) via a proposed reduction of the Company's share premium account ("Return of Cash"). If approved by shareholders and the Court, the Company will have returned over £465m to shareholders since December 2015. On 27 April 2020, the resolution was approved by shareholders at a General Meeting.

During 2019, the Group operated within the healthcare sector in Canada and insurance telematics in the UK. In February 2020, the Group completed the sale of its interests in the healthcare sector.

The remaining business in the Group is ingenie, an insurance broker focused on helping young drivers use the road safely and affordably. Using telematics technology, ingenie gives its community discounts, feedback and bespoke advice via its Driver Behaviour Unit to help them improve their driving skills whilst staying safe. It provides its telematics technology and analytics capability to certain third parties as a technology solutions provider.

1.2 Board decision making (section 172 statement)

The Board has a duty to promote the success of the Company for the benefit of its members as a whole whilst also having regard to other stakeholders. The Company operates within the framework provided by the Quoted Companies Alliance Corporate Governance Code (the "QCA Code") to provide robust governance over its wider decision-making processes and the Board. Further details are provided in the Corporate Governance Report.

The Company meets with shareholders and analysts as appropriate and uses its website to encourage communication with existing and prospective shareholders. The Company also maintains regular contact with private investors via meetings, email correspondence and investor forums.

The Board constantly monitors the performance of the business as detailed in section 2.4 below, Internal Financial Discipline. 2019 was largely defined by the settlement of the outstanding litigation with S&G relating to the historical sale of the Group's professional services division ("PSD") ("PSD Settlement") and the sale of Healthcare Services which completed post year end. The financial impact of these items is discussed elsewhere in this report whilst the main factors in the Board decision making process is summarised as follows:

1.2.1PSD Settlement

The PSD Settlement was consistent with the Board's stated objectives of resolving legacy matters and returning value to shareholders whilst prudently managing the Group's assets and liabilities. The Board remains firmly of the view that the legal action commenced by S&G was without merit. However, the Board concluded that the PSD Settlement was in shareholders' interests as it:

- prevented further outflows in respect of the costs of pursuing the Company's defence and counterclaim at trial.
- removed the inherent uncertainty of the outcome of any legal process which may have been existential to the business.
- released a significant cash sum from escrow previously unavailable to the business and enabled the process of returning cash to shareholders to begin.
- provided greater financial certainty to the Group benefitting the Group's employees and suppliers.

1.2.2 Sale of Healthcare Services

The sale of Healthcare Services to 11628542 Canada Inc. a wholly owned subsidiary of LM Holdings Corp., a large and experienced business within the Canadian healthcare market was considered to be in the best interest of all stakeholders. In particular:

- employees, customers and suppliers benefit from Healthcare Services becoming part of a larger organisation which is an expert in its chosen field.
- it was consistent with the Group's previously stated objective to prepare its businesses for future disposal and to divest at the optimal time.
- it enabled the minority preference shareholders to realise the full value of their holding.

The Board operated a competitive sales process and the Directors (advised by National Bank Financial Inc. of Canada) considered the terms of the Sale to be fair and reasonable.

1.2.3 Other stakeholders

The majority of the Group's employees are employed by subsidiary undertakings which have their own boards and policies in respect of employee engagement and involvement. The Healthcare Services business was previously certified as a "Great Place to Work®" and ingenie undertakes a number of employee initiatives such as "Fungenie".

The Group closed its corporate head offices during 2019 and even before the COVID-19 crisis made and continues to make extensive use of technology to limit its impact upon the environment through reduced travel.

1.3 Overview of 2019

1.3.1 Continuing business activities – ingenie

2019 was a year of significant change for ingenie. The H1 2019 results reflected the decline in volumes experienced since the second half of 2017, with H1 2019 revenues of £3.3m comparing to £4.8m in H1 2018. In the second half of 2019, revenues increased to £4.0m, compared to £3.0m in H2 2018. Therefore, whilst year on year revenues were lower at £7.3m compared to £7.8m, the level of new business was on an upward trajectory as a consequence of changes to the business model implemented since the end of 2018.

In March 2019, ingenie's outsourced policy sales and administration were moved to a new provider which has allowed a more flexible and proactive approach to product and customer management. This includes the better use of data analytics and the extension of its footprint with established insurers to help the competitiveness of ingenie's insurance pricing when quoting for business. In addition, new underwriters attracted to ingenie's model helped to increase volumes.

In November 2019, ingenie moved to an in-house developed cloud-based "multi-platform" which allows more flexible pricing and additional device types to be managed at a reduced cost. This subsequently enabled the roll out of new customer hardware in December which not only reduced the cost per policy but also improved the customer experience with no professional fitting of the telematics device now being required in most cases. This change was timely given the temporary prohibitions instituted under the Stay at Home measures relating to COVID-19.

The impact of these changes was increased competitiveness with policy numbers growing consistently since June 2019. The levels of new business being written in early 2020 were higher than have been seen for a number of years but, inevitably, ingenie has been impacted by the effects of the Government's response to COVID-19. It is anticipated that despite the impact of COVID-19 policy numbers will increase for 2020. In particular, the Stay at Home measures have reduced vehicle usage by all drivers and all driving tests have been indefinitely postponed. All retail car sale outlets have also been closed. Given that newly passed drivers typically represent around a fifth of new business, this temporary but indefinite disruption is meaningful for ingenie.

Action has been taken to reduce costs during the Stay at Home and related COVID-19 measures in place in the UK and in the Netherlands. This has included furloughing a number of ingenie employees amongst other measures whilst continuing to maintain good customer service. The pre-COVID-19 improvement in policy sales represented significant progress however the business is focussed on optimising its costs, particularly customer acquisition costs, whilst continuing to build its book in order to return to profitability.

The programme supporting ingenie's external customer in the Netherlands, ANWB, has been extended for a further period and mid-year ANWB introduced an ingenie-developed app-based telematics product which has been very well received by ANWB's customers, further endorsing our technology and market leading approach to road safety and motor insurance pricing. After the year end, the business concluded a second major long-term technology and services contract with a new customer which will benefit 2020 and future years.

EBITDA losses increased from £1.9m to £2.6m including the transition to IFRS 16.

1.3.2 Discontinued business activities

Discontinued business activities primarily relate to Healthcare Services. Whilst discontinued, the Healthcare Services business was under the ownership of the Group during all of 2019.

As previously reported, ignoring the impact of foreign exchange, H1 was largely flat year on year for the Healthcare Services' business. The business performed much better in H2 as a result of the actions taken at the end of 2018 and in early 2019. Overall in 2019 revenue increased by £1.0m relative to 2018 to £31.1m, however this was not fully reflected in profitability in the year. Significantly, the business moved to being cashflow neutral in the year, excluding the repayment of preference shares.

Strategic Report (continued)

1.3.3 Resolving legacy matters

Legal settlements in 2019

In October 2019, the Group settled the High Court proceedings issued by S&G in June 2017 relating to the sale of the PSD. Under the PSD Settlement, which was made without admission of liability by either party, all of S&G's claims or potential claims relating to the historical sale of the PSD in May 2015 were unconditionally withdrawn. The Company also agreed not to pursue its counterclaim against S&G.

The PSD Settlement provided for £11.0m of the £50.0m being held in escrow to be released to S&G with the balance of £39.0m and accrued interest being released to the Company. At the same time, the Group effectively disposed of certain liabilities in relation to taxation, allowing further provision releases to be made.

In October 2019, the Group also settled all outstanding claims with Mr Terry, the former Chairman and Chief Executive of the Group resulting in a repayment by Mr Terry and others to the Group of £1.0m.

Further details are provided in note 33 to the Financial Statements.

Other

Certain potential assets and liabilities are not recognised in the Financial Statements due to their uncertainty:

- Contingent assets include recoveries relating to taxation and litigation in progress; and
- Contingent liabilities could include damages from adverse outcomes such as the purported class action litigation. These are disclosed but no liability is recognised.

Amounts will be recognised in line with applicable accounting standards if and when the appropriate level of probability of payment or receipt and appropriate reliability of measurement has been achieved.

Further details are provided in note 31 to the Financial Statements.

1.4 Overview of Financial Statements

The Financial Statements are presented on pages 30 to 92.

An overview of the main factors which have influenced the Financial Statements are:

- **Escrow relating to disposal of the PSD.** At 31 December 2018, current assets included the escrow amount of £50.2m ("Warranty Escrow") at a carrying value of nil having been fully impaired during the year ended 31 December 2016 due to uncertainty over its value and recoverability. Following the PSD Settlement, £11.0m of the Warranty Escrow was released to S&G with the remainder, and accrued interest, being released back to the Group. Accordingly, the results of discontinued operations include a profit of £39.4m relating to impairment reversals of the Warranty Escrow;
- **Resolution and settlement of historical matters.** The Group continues to settle historical matters, most notably the PSD Settlement resulting in the Warranty Escrow release noted above. This process did incur significant legal fees of £8.0m during 2019 in respect of defending the Group from litigation. During 2019, in preparation for trial and prior to the PSD Settlement, defending the S&G claim and commencing a counter-claim incurred a further £3.4m in excess of amounts already provided at 31 December 2018. All of these amounts are included with non-underlying results on the face of the Income Statement. At the end of 2019, total remaining provisions reduced to £4.2m compared to £11.4m at 31 December 2018 with the remaining provisions primarily relating to legal fees; and
- **Sale of Healthcare Services** has resulted in the reclassification of the segment into discontinued operations. Additionally, the assets and liabilities of the business are included in assets and liabilities held for sale in the statement of financial position.

1.5 Acquisitions and Investments

The Group made no acquisitions during the year, nor made any significant investments other than in the ordinary course of business.

1.6 Retained earnings, proposed share premium reduction and return of cash

As at 31 December 2019, the Company had negative distributable reserves of £71.5m and unrealised profit amounts totalling £0.8m in retained earnings.

On 9 April 2020, the Company announced and published its proposals to return excess capital of £50.5 million to shareholders (subject to shareholder and Court approval) via a proposed reduction of the Company's share premium account. If so approved by the Court, the Return of Cash to shareholders is expected to occur in late June 2020.

1.7 Discontinued operations and assets available for sale

Having entered into a conditional sale and purchase agreement in September 2019, as at 31 December 2019, an active process was underway to dispose of Healthcare Services. The sale completed in February 2020. Consequently, the assets and liabilities of this businesses are classified as held for sale in the Statement of Financial Position as at 31 December 2019.

The main components of the assets held for sale are £8.2m of Goodwill, £1.5m of other intangible assets and £14.7m of Property, Plant and Equipment. The latter includes the impact of converting to IFRS 16.

2. Financial Review

The Group classifies its continuing operating business and the supporting Group cost centre as underlying, with businesses sold or closed as either non-underlying or discontinued as appropriate. This review is prepared consistently with that classification and is intended to give a better guide to the business performance of the continuing Group. Non-underlying therefore also includes items which are considered exceptional in size, nature or incidence or other matters which might mask underlying trading performance, such as items relating to the settlement of historical legal matters.

2.1 KPIs and Alternative Performance Measures

Throughout 2019, the Board used a number of measures some of which are not statutory accounting measures to determine the performance of the Group. The principal KPIs are as set out in note 5 to the Financial Statements, which provides a breakdown of underlying EBITDA and underlying Group operating loss. The KPIs are summarised in the following table:

Underlying business

	Year ended 31 December 2019	Year ended 31 December 2018
KPI	**£000**	£000
Revenue	**7,342**	7,841
Gross profit margin	**26.9%**	44.2%
EBITDA	**(5,501)**	(5,446)
Group operating loss	**(6,108)**	(5,646)
Cash and term deposits (underlying business)	**71,611**	50,113
Basic loss (pence per share)	**(12.6)**	(11.1)

2.2 Business performance and results

2.2.1 Revenue and gross profit margin

Underlying revenue for 2019 was £7.3m (2018: £7.8m). There was no non-underlying revenue (2018: £nil). Whilst ingenie revenue was lower year on year, there was a trend of new business growth during the second half of 2019 with H2 2019 revenues ahead of H2 2018 and a growth of the total number of active policies.

The reduction in gross profit margin primarily reflected the pricing structure with the new outsourcing partner engaged with ingenie during 2019. The incremental cost per policy is reduced and therefore the business is expected to benefit as volumes improve once the disruption caused by COVID-19 is resolved.

2.2.2 Underlying EBITDA and Operating result

EBITDA on an underlying basis, was a loss of £5.5m, (2018: £5.4m) and is considered as follows:

- ingenie incurred an underlying loss of £2.6m (2018: loss of £1.9m), reflecting the difficult insurance conditions experienced by this business. A reconciliation to GAAP measures is included in note 5 to the Financial Statements.
- Underlying central expenses totalled £2.9m in 2019 (2018: £3.5m). Some £2.1m was spent on Board and other staff costs (2018: £2.6m) with legal, financial and other professional adviser and consultancy costs totalling £0.8m (2018: £1.0m). The central team has reduced its cost base during 2019 including the closure of its central London office and the resignation of the Group Finance Director.
- Group operating loss totalled £6.8m (2018: £19.0m) of which £6.1m (2018: £5.6m) reflects the results from underlying business operations and underlying central costs.

Strategic Report (continued)

2.2.3 Non-underlying including exceptional items

Non-underlying items are 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 or non-cash items which might mask underlying trading performance. This includes the results of businesses which are no longer considered core to the operations of the Group (which may be further classified as discontinued operations) and expenses relating to the resolution of historical matters. Further details are provided in note 1 to the Financial Statements.

Excluding businesses classified as discontinued there were no revenues from non-underlying businesses in 2019 (2018: £nil).

The Group has reported a net expense of £0.7m in respect of exceptional items (2018: £12.8m). Of this, a net £1.6m relates to legal expenses (2018: £5.7m), a net credit of £1.0m relates to legal settlements (2018: £0.2m) and net restructuring costs of £0.1m (2018: credit of £0.3m). 2018 also included net impairment of non-cash assets totalling £9.1m and a credit of £1.6m arising from the successful resolution of legacy tax issues. These items are considered exceptional due to their size and non-recurring nature. Note 8 to the Financial Statements shows how exceptional items form part of non-underlying operating expenses, of which a reconciliation to GAAP measures is provided in note 5 to the Financial Statements.

2.2.4 Loss before tax

The Group has incurred a continuing loss before tax of £6.6m for the year (2018: £18.6m), of which some £6.0m (2018: £5.3m) derived from the underlying business activities.

2.2.5 Cashflow

During the year, the Group continued with the placement of term deposits on a rolling basis with a major UK bank. This increases the income arising on these deposits whilst the rolling maturities ensures that we have regular deposits maturing should we require access to the cash. Accounting standards require these deposits to be classified as Term Deposits rather than cash. In monitoring and managing the Group's cash flow, we consider funds held within both Cash and Term Deposit balances.

The Group had net cash inflows, excluding the impact of movements in term deposits, of £22.0m for the year (2018: cash outflows £12.7m) resulting in a closing balance of cash and term deposits of £72.1m (2018: £50.1m). A summary of flows by business is shown below. Flows are categorised as underlying or non-underlying by reference to the classification of the related income or expense to which they relate. Other non-underlying includes payments against provisions established in previous years:

	2019	2018
Year ended 31 December	**£m**	£m
Underlying business cash flows:		
ingenie	**(3.2)**	(1.4)
Central	**(3.5)**	(3.7)
Total underlying	**(6.7)**	(5.1)
Non-underlying trading (inc. discontinued)	**(0.4)**	(1.0)
Other non-underlying	**29.1**	(6.6)
Total non-underlying	**28.7**	(7.6)
Overall net cash inflow/(outflow)	**22.0**	(12.7)
Opening cash including term deposit investments	**50.1**	62.8
Closing cash including term deposits investments	**72.1**	50.1
Analysed as:		
Term deposits	**15.0**	40.0
Cash	**56.6**	10.1
Cash included within assets held for sale	**0.5**	–

The overall net cash outflows above reconcile to the Consolidated Cashflow Statement as follows:

	2019	2018
Year ended 31 December	**£m**	£m
Overall net cash outflow	**22.0**	(12.7)
Investment in term deposits	**(75.0)**	(100.0)
Maturity of term deposits	**100.0**	100.0
Net increase/(decrease) in cash and cash equivalents	**47.0**	(12.7)

2.2.6 Balance Sheet

The net assets shown in the Statement of Financial Position at 31 December 2019 were £77.6m (2018: £46.8m).

A summary analysis of the principal components and how they moved during the year is set out below:

Balance sheet movement summary:

	Central	ingenie	Discontinued and non-underlying	Total Group
	£m	£m	£m	£m
At 31 December 2018	**35.7**	**0.6**	**10.5**	**46.8**
Underlying EBITDA[1]	(2.9)	(2.6)	–	(5.5)
Exceptional items[1]	(1.0)	–	42.4	41.4
Other income statement items[1]	(0.3)	(0.5)	(4.2)	(5.0)
Funding of preference share redemptions	(1.9)	–	1.9	–
Other balance sheet and reserves movements including foreign exchange[2]	37.2	2.8	40.0	–
At 31 December 2019	**66.8**	**0.3**	**10.6**	**77.7**

1 The total of underlying EBITDA, Exceptional Items and other income statement items, being £30.9m represent the profit after tax for the year as presented on the Consolidated Income Statement.

2 The total other balance sheet and reserves movements including foreign exchange represents the total movement presented on Other Comprehensive Income.

The closing net assets can be analysed by their proximity to cash as follows:

	2019	2018
At 31 December	**£m**	£m
Cash including term deposits	**71.6**	50.1
Net assets of businesses classified as held for sale (Including preference shares in 2019)	**9.9**	–
Other net current liabilities	**(5.5)**	(15.8)
Preference shares, provisions and deferred tax over one year	**–**	(1.4)
Non-current assets	**1.7**	13.9
Net Assets	**77.7**	46.8

2.2.7 Earnings per share

The underlying basic and diluted EPS, as defined in note 12 of the Financial Statements, was a loss of 12.6 pence per share (2018: loss of 11.1 pence per share).

2.3 Going concern

The Group has significantly reduced its working capital requirement, including through the sale of Healthcare Services in February 2020. The Group holds significant cash reserves and no material debt. The Group has concluded that its cash reserves (including following the proposed Return of Cash) together with ongoing operating cash flows will be sufficient to fund the ongoing operations of the Group's businesses together with any future development needs of those businesses, the impact of COVID-19 and the settlement of legacy matters.

On this basis, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors have not identified any material uncertainties that would cast significant doubt on the ability of the Group to continue as a going concern. As such, the Directors continue to adopt the Going Concern basis of accounting in the preparation of the Financial Statements.

2.4 Internal financial discipline

We have defined the financial disciplines under which we will operate at the Group and operating company level. We have summarised below the key areas upon which we focus:

- **Ethics.** Relationships and transactions are conducted to high ethical standards. Customers, staff and suppliers are treated fairly, and transactions concluded on an arms-length basis. Regulators are communicated with in an open and cooperative way;
- **Safeguarding of assets.** We ensure that the assets of the Group are appropriately protected and managed and that maximisation of shareholder value is at the heart of all transactions involving corporate assets;
- **Cash and profit management.** The Group and operating businesses are managed such that both profits and cash are given equal focus, recognising that some investment may be required to generate increased future profit and cash. Revenues and profit growth are balanced by a requirement for there to be appropriate realisation of profits into cash;

Strategic Report (continued)

- **Establishment of investment disciplines.** Operating businesses are challenged to deliver profitable growth and the timescales for each will depend on their relative maturity and market positioning. Appropriate investment is made by the Group in order to maximise shareholder value from these assets;
- **Authorisation and accountability.** ingenie has its own executive management. Matters are reserved both for subsidiary and Group Board approval and the control environment is proportionate to the size of the Group. Operating and project expenditure are typically authorised via the business planning process culminating in an approved budget in advance of the year commencing. Outside of the cycle additional expenditure is approved subject to the appropriate justification and business case being established. Individuals have authority to approve expenditure to certain limits, determined by type of expenditure. Accountability for expenditure is ensured via the regular process of business performance reporting, forecasting and review; and
- **Financial planning, reporting and monitoring.** The Group runs a business cycle as summarised below:

Mid-year	Strategic review and target setting for the Group and its operating businesses.
Q3	Operating businesses perform detailed business planning and budget setting.
Q4	Group review and challenge of operating businesses plans. Board review and approval.
Monthly	Subsidiary Board meetings and reporting of financial results and KPIs at subsidiary and Group level.
Quarterly	Re-forecast of full year expected outturn and review.

In addition, to internal financial discipline, the Group makes trading statements (as appropriate) and reports full and half yearly financial results externally.

2.5 Interim Financial Statements for the period ended 30 June 2020

We intend to prepare a set of interim Financial Statements for the 6 months ending 30 June 2020.

3. Capital management

The Group's objective is to maintain a balance sheet structure that is efficient in terms of providing long term returns to shareholders and which safeguards the Group's financial position through economic cycles.

There is little or no external debt finance in the business (aside from ordinary course third party financing of policies in ingenie) and the Group maintains sufficient liquid funds to be able to fund the growth aspirations of its remaining operating business.

4. Principal risks and uncertainties

The Group is exposed to a number of risks and uncertainties which could have a material impact on its long-term performance. The Directors have identified those which they regard as being the principal risks and these are set out below.

4.1 Market and technological change

The markets for the Group's services can be affected by legal or technological changes, resulting in the introduction of new products, revisions to partner pricing, evolving industry standards or changes to consumer behaviour and expectations. The Group regularly monitors trends in technological advancement to anticipate and plan for future changes and maintains close relationships with businesses and organisations which it believes will keep it to the forefront of product and service development on a sustainable basis.

4.2 Key personnel and resources

The success of the Group depends to a large extent upon its executive management team and its ability to recruit and retain high calibre individuals at all relevant levels within the organisation. The Group will continue to seek to mitigate this resource risk by providing appropriate training, competitive reward and compensation packages, incentive schemes and succession planning. The Group has outsourced a number of key functions where it is most cost efficient to do so or where a third party can bring greater resources or expertise than the Group. The Group monitors the performance and financial security of its outsourced partners. Whilst many of the Group's staff can carry out their duties from home for short periods and many of the Group's processes are automated, any extended absence of large numbers of staff at its operations or those of its outsourcing partners could cause significant business disruption.

4.3 Other legal, regulatory and reputational risks

Despite the confirmation that the Company will not be prosecuted, the SFO investigation may still affect the Group's reputation and brand and attract negative media coverage. Failure to protect the Group's reputation and brand in the face of regulatory, legal or operational challenges could lead to a loss of trust and confidence and a decline in our existing and future customer base. In addition, investigations by external agencies could also affect our ability to recruit and retain talented employees. Reputational issues may also affect the attractiveness of the Company's shares to new and existing investors.

As a data controller, the Group is also subject to risks related to matters such as data processing and security, and data and service integrity. In the event of a breach, these risks may give rise to reputational, financial or other sanctions against some or all of the Group. Law or regulation of data use and protection may change. The Group considers these risks seriously and designs, maintains and reviews its policies and processes so as to mitigate or avoid these risks.

The pricing of products and services, the activities of partners and customers, and the Group's ability to operate and contract in the manner that it has done so in the past, may be affected by the actions of regulatory bodies both in the UK and internationally. Such action could affect the Group's profitability either directly or indirectly. The Group monitors and assesses the likelihood, potential impact of and opportunity provided by regulatory change, and adapts its plans and activities accordingly.

4.4 Impact of the United Kingdom leaving the European Union

The ingenie consumer business has a UK customer base, works with UK Insurers and furthermore, the demand for insurance is not expected to change because of the departure. The sale of B2B products by ingenie could potentially be impacted however since this is the sale of software and intellectual property rather than physical goods there is not expected to be any disruption over the transitional period. Sales after 31 December 2020 could be impacted by the tax and trade policies adopted by both the UK and EU.

4.5 Market conditions

Market conditions, including general economic conditions and their effect on exchange rates, interest rates and inflation rates and investment returns, may impact the ultimate value of the Group regardless of its operating performance. The Group also faces competition from other organisations, some of which may have greater resources than the Group or be more established in a territory or product area.

4.6 Impact of COVID-19

In the short-term, the Board recognises that the developing impact of COVID-19 on global economies will result in some inevitable disruption to consumer demand for ingenie's motor insurance offering and insurers' pricing of motor insurance risk as Governments in the UK and the Netherlands respond to the spread of the COVID-19 virus by restricting road travel, postponing driving tests for new drivers and closing of retail car sale outlets. Some consumers may not be able to afford car insurance and/or may restrict their use of vehicles (including by making Statutory Off Road Notifications (SORN) and taking cars off road) and may seek to cancel or not renew policies.

Given the fast-evolving circumstances it is not currently possible to reliably assess the impact on ingenie's longer term prospects and performance. The levels of new business being written in early 2020 were higher than have been seen for a number of years but, inevitably, ingenie has been impacted by the effects of the Government's response to COVID-19 primarily as a result of the temporary postponement of all driving tests where newly passed drivers typically account for a fifth of ingenie's new business. New business sales are partly protected by its on-line sales channels prevalent in motor insurance. ingenie's adoption of self-fit telematics devices during 2019 has mitigated the effect of the installation of professionally-fitted devices being halted by Government guidelines. It is anticipated that despite the impact of COVID-19 policy numbers will increase for 2020.

The health and well-being of our teams is our priority and we have taken decisive steps to protect them, in-line with the Government guidance. The majority of our staff were used to working remotely and we and ingenie's outsourced partners have been able to transition all to working at home therefore causing minimum disruption for ingenie's customer service and day to day operations and the Group's central management.

Strategic Report (continued)

4.7 Foreign exchange

The international nature of some of the Group's operations mean that it is exposed to volatility in exchange rates. This is in respect of foreign currency denominated transactions and the translation of income statements and net assets of foreign subsidiaries. During the year the Group had its most significant presence in Canada and therefore its most significant foreign currency exposure was in relation to Canadian Dollars. Foreign currency exposure is mitigated where possible by matching the purchasing and sales of revenue and cost transactions. The Company has not sought to mitigate its exposure to the translation of net assets.

By order of the Board

Stefan Borson
Group Chief Executive Officer and Company Secretary

Board of Directors

Richard Rose (64)

Non-executive Chairman

Richard Rose is Non-Executive Chairman of Escape Hunt plc and Innovative Bites Limited. Previously, he has held a number of positions in organisations such as AO World plc where he was Non-Executive Chairman from 2008 to 2016 and Booker Group plc where he was Non-Executive Chairman.

Stefan Borson (45)

Group Chief Executive Officer

Stefan Borson has over twenty years' experience working in and advising both listed and high growth private companies. He has held Board positions in a broad range of roles from Chief Executive Officer to Corporate Development & Investment Director.

Following qualification as a Solicitor in 2000 with Addleshaw Goddard, Stefan spent seven years in Investment Banking at Investec plc specialising in advising consumer facing and technology businesses. In 2007, Stefan joined the board of Clerkenwell Ventures plc, a listed investment fund and joined Redbus Media Group as Chief Executive Officer in 2009. In August 2014, Stefan joined Watchstone Group plc as Chief Legal and Communications Officer becoming Group General Counsel & Company Secretary in May 2015 following the sale of the PSD. He continues to act as Group General Counsel & Company Secretary in conjunction with his Group Chief Executive Officer role and is the sole executive director of the Company.

The Rt. Hon. Lord Howard of Lympne, CH, QC (78)

Senior Non-executive Director

Lord Howard is the former leader of the Conservative Party, a distinguished lawyer and served as a Member of Parliament for 27 years. He filled many government posts, including Home Secretary, Secretary of State for Employment and Secretary of State for the Environment, as well as Shadow Foreign Secretary and Shadow Chancellor.

After his retirement from the House of Commons at the 2010 General Election, Lord Howard was created a Life Peer. He was created a Companion of Honour in the Queen's Birthday Honours List, 2011.

David Young (58)

Non-executive Director

David qualified as an accountant with Arthur Andersen before joining Morgan Grenfell as an Investment Banker specialising in Mergers & Acquisitions. In 1994, he joined listed insurance broker Bradstock Group PLC, initially as Finance Director before becoming Chief Operating Officer and, ultimately, Chief Executive. On leaving, David joined Barchester Group, a strategic and advisory business aimed at technology businesses.

David has held numerous Non-executive positions and audit committee chairs with insurance and financial services businesses. He is currently a Non-executive Director of Premium Credit Limited, Key Retirement Group and Seven Investment Management LLP. He became Non-executive Chairman of ingenie in 2017.

Directors' Remuneration Report

The Board recognises the importance of shareholder transparency and compliance with corporate governance principles. The Company has prepared this report in order to enable a better understanding of Directors' remuneration. The information included in this report is unaudited.

The information in this report relates to the remuneration arrangements that applied during the year ended 31 December 2019 and the remuneration policy that applies in 2020.

Remuneration Committee

Lord Howard is chairman of the Committee alongside additional members David Young and Richard Rose each of whom are independent. The Committee is actively involved in consultation with major shareholders on key matters of remuneration.

The Committee meets at least once each year and has delegated responsibility for making recommendations to the Board regarding the remuneration and other benefits of the executive Directors. The remuneration of the Non-executive Directors is determined by the Board. No Director or other executive is involved in any decisions about his/her own specific remuneration.

Remuneration policy

The Board's policy is designed to promote the long-term success of the Company by rewarding senior executives with competitive but responsible salary and benefit packages combined with a significant proportion of executive remuneration dependent on performance, both short-term and long-term.

The Board's intention is to combine appropriate levels of fixed pay with incentive schemes that provide executives with the ability to earn above median levels for true out-performance. In determining the remuneration policy, the Committee is conscious of both the unusual and challenging circumstances of the Company and the Board's strategy to simplify and focus the Company on delivering shareholder value as well the importance of the retention of key executives.

The remuneration package for the executive Director comprises the following main elements:

- basic annual salary;
- discretionary annual bonus payments in respect of the performance of the individual, achievement of performance criteria and the individual's contribution to that performance and the Group calculated as a percentage of salary; and
- the Distribution Incentive Scheme focused on the ultimate distribution of capital to shareholders.

Remuneration of the executive Directors in 2019

Given the complexity and history of the Group, recruitment and retention of key management was considered, and remains, of critical importance. In addition, the Board and key management are required to accept an unusual level of risk in respect of the historical circumstances of the Company particularly given the investigations commenced in 2015 by the Financial Reporting Council ("FRC"), the FCA (both now terminated) and the SFO (ongoing but not now relating to the Company itself). Accordingly, the Remuneration Committee believe it appropriate that pay and incentive packages should reflect these factors such that the Group was able to offer above average remuneration to recruit and retain the best people.

Stefan Borson (Group Chief Executive Officer)

Stefan Borson has a base salary of £450,000 per annum (2018: £450,000 per annum) and an entitlement to an annual bonus of up to 150% of salary. For a period of up to three years from appointment on 1 January 2018, £337,500 of his entitlement to an annual bonus was guaranteed and payable on 1 January following each qualifying year ("Guaranteed Element"). The Guaranteed Element historically paid will, in effect, be deducted from any payment due under the Distribution Incentive Scheme by the mechanism described below regarding the increased hurdle relating to that scheme. The entitlement to a Guaranteed Element ceased upon the PSD Settlement. In addition, Mr Borson is entitled to typical executive benefits including a pension contribution of 10% of base salary, life assurance and health and medical insurance. His notice period on his rolling service contract is 6 months.

Mark Williams (Group Finance Director)

Mr Williams stepped down from the Board on 30 June 2019. Upon stepping down from the Board Mr Williams received £320,000 compensation for loss of office including any entitlements to bonuses and other incentive schemes. Prior to 30 June 2019, Mr Williams had a base salary of £250,000 per annum (2018: £250,000 per annum and an entitlement to an annual discretionary bonus of up to 150% of salary). In addition, Mr Williams was entitled to typical executive benefits including a pension contribution of 10% of base salary, life assurance and health and medical insurance.

Annual bonuses of the executive management team

Mr Borson is the only member of the executive management team whose remuneration entitles him to an annual bonus. In deciding on the annual cash bonus awarded to him for 2019, the Remuneration Committee took into account his work in respect of, inter alia, the:

- defence, strategy and settlement of the S&G litigation;
- resolution, careful management and mitigation of other complex legacy matters both at the plc level and within our operating companies;
- disposal and restructuring of the Group's operating businesses; and
- performance of the Group's operating businesses.

For details of the annual bonuses paid to the Directors, please see the table below and the associated notes.

For 2020, the annual discretionary bonus for Mr Borson will be closely aligned to the interests of the Company and its shareholders. Executive management will be rewarded based on the achievement of outcomes consistent with the optimisation of shareholder value. The discretionary bonus plan will reward, inter alia, a combination of:

- realisation and development of value of the Group's remaining business;
- resolution, careful management and mitigation of legacy matters;
- optimisation of returns from contingent assets; and
- careful cash and efficient cost management.

Award of the maximum discretionary bonus will only be given on optimal achievement of these targets.

Long term incentive plan – the Distribution Incentive Scheme

The Committee believes that the Distribution Incentive Scheme focuses the executive Director on enhancing value and returning that value to shareholders and ensures alignment of the Board's and shareholder's interests.

The Distribution Incentive Scheme was put in place upon Mr Borson's appointment as Group Chief Executive Officer to reflect the changing focus of the Group. The Distribution Incentive Scheme is a cash-based incentive and retention scheme that will only be triggered upon distributions or the sale of the Group after 1 January 2018 in excess of a cumulative £57,205,403 (calculated as to £46,038,333 (being £1 per ordinary share) plus the increase of the hurdle due to the now historical and ceased payment of Guaranteed Elements of past annual bonuses) ("Distribution Hurdle"). Mr Borson will be entitled to cash bonuses of 5.43% of any future distributions to shareholders above the Distribution Hurdle. Mr Borson is the sole participant in the Distribution Incentive Scheme.

Non-executive Directors

The Non-executive Directors do not have service contracts, nor do they participate in any share option plan, Distribution Incentive Scheme, long term incentive plan or pension scheme. The services of each Non-executive Director are provided under a letter of engagement which can be terminated by either party giving notice (one months' notice for each Non-executive Director). Fees payable under the terms of their appointments for those Directors who served during the year are shown in the table below.

Directors' emoluments

The remuneration of the Directors, including the highest paid Director who was Mr Borson, was as follows (see note 9 to the Financial Statements):

2019	Salary and fees £000	Bonus £000	Contributions to personal pension schemes £000	Compensation for loss of office £000	**Total £000**
Executive					
S Borson[1]	482	675	7	–	**1,164**
M Williams[2]	131	–	6	320	**457**
	613	**675**	**13**	**320**	**1,621**
Non-executive					
R Rose	185	–	–	–	**185**
M Howard	75	–	–	–	**75**
D Young	75	–	–	–	**75**
Total	**948**	**675**	**13**	**320**	**1,956**

Notes

1 Bonus included the Guaranteed Element of £337,500 for the year ending 31 December 2019 increasing the hurdle relating to the Distribution Incentive Scheme to a cumulative £57,205,403.

2 Resigned 30 June 2019.

Directors' Remuneration Report (continued)

2018	Salary and fees £000	Bonus £000	Contributions to personal pension schemes £000	Compensation for loss of office £000	**Total £000**
Executive					
S Borson[1]	482	591	7	–	**1,080**
M Williams	263	150	10	–	**423**
	745	**741**	**17**	–	**1,503**
Non-executive					
R Rose	185	–	–	–	**185**
M Howard	75	–	–	–	**75**
D Young	75	–	–	–	**75**
Total	**1,080**	**741**	**17**	–	**1,838**

Notes

1 Bonus included the Guaranteed Element for the year ending 31 December 2018.

This report was approved by the Board on 12 May 2020 and signed on its behalf by:

Lord Howard of Lympne

Chairman of the Remuneration Committee

Corporate Governance Report

The Directors recognise the importance of good corporate governance and have chosen to apply the QCA Code.

The correct application of the QCA Code requires the Company to apply its ten principles and also to publish certain related disclosures either on our website or in this Annual Report or a combination of both. Our website, watchstonegroup.com/investors/corporate-governance, includes disclosure considering each principle in turn and references where the appropriate disclosure is given. The Company is currently not fully compliant with Principle 7 – specifically in connection with Board evaluation processes and succession planning, further details are provided on our website at the address above.

The Board

The Group has appointed Non-executive Directors to bring an independent view to the Board and to provide a balance to the executive management. During the year, the Board of Directors comprised of two executive Directors (one from 1 July 2019) and three independent Non-executive Directors.

The Board meets monthly throughout the year (save in August and December when Board packs are still distributed) and meets at various times between these dates to discuss matters and agree actions on an ongoing basis. In preparation of each regular meeting, the Board receives a Board pack with the information necessary for it to discharge its duties. The Board has responsibility for formulating, reviewing and approving the Group's strategy, its financial plans, regulatory announcements, major items of expenditure, investments, acquisitions and disposals and the Directors' report and Annual and Interim Financial statements.

During 2019, the Board held ten monthly Board meetings and a number of Board calls in between meetings. Each of the Directors attended all such meetings.

Each Director has access to the advice and services of external counsel and is able to take professional advice at the Group's expense.

The Group maintains appropriate insurance cover in respect of legal actions against Directors as well as against material loss or claims against the Group and reviews the adequacy of cover regularly. The Group has also entered an agreement with each of its Directors whereby the Director is indemnified against certain liabilities to third parties which might be incurred in the course of carrying out his duties as a Director. These arrangements constitute a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Board committees

The Board has established four committees: Audit, Remuneration, Nomination and Disclosure. The Group Company Secretary is secretary to each committee but does not act where discussion relates to him or where there is another conflict.

Audit Committee

The Audit Committee is chaired by David Young and consists of David Young and Lord Howard. It meets at least twice a year with attendance from the external Auditors and internal personnel as required. The committee is responsible for:

- ensuring that the appropriate financial reporting procedures are properly maintained and reported on;
- meeting the Auditors and reviewing their reports relating to the Group's accounts and internal control systems;
- reviewing and monitoring the independence of the external Auditor and the objectives and effectiveness of the audit process; and
- reviewing arrangements by which staff may in confidence raise concerns about possible improprieties in matters of financial reporting or otherwise and receiving and dealing with matters reported under these arrangements.

Remuneration Committee

The Remuneration Committee is chaired by Lord Howard and also consists of David Young and Richard Rose. It meets at least once a year and is responsible for reviewing the performance of the executive Director. The Committee's report is set out on pages 14 to 16.

Corporate Governance Report (continued)

Nomination Committee

The Nomination Committee is chaired by Richard Rose and also consists of Lord Howard and David Young. It meets as required and reviews the size, structure and composition of the Board and makes recommendations on changes, as appropriate. It also gives consideration to succession planning in the light of developments in the business.

Disclosure Committee

The Disclosure Committee is chaired by Stefan Borson who sits alongside Richard Rose. Mark Williams was also a member until he left the Board on 30 June 2019. The role of the Disclosure Committee is to assist and inform the Board in making decisions concerning the identification of information that requires announcement pursuant to the AIM Rules for Companies and other relevant rules. The Disclosure Committee meets as necessary to consider all relevant matters following and incorporating advice from the Company's nominated adviser and, where appropriate the Company's external legal advisers. It will, in particular, meet in advance of the release of all trading statements and other announcements of price sensitive information to ensure that they are true, accurate and complete and to consider if they are fair, balanced and understandable.

Shareholder relations

The Company welcomes feedback from investors about its published reports and website. Please address your feedback to our investor relations team by e-mail to investor.relations@watchstonegroup.com or in writing to Highfield Court, Tollgate, Chandler's Ford, Eastleigh, Hampshire, England, SO53 3TY.

Internal control and risk management

The Group operates a system of internal control and will develop and review that system in accordance with guidance published by the FRC. The internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives. The Board is responsible for the system of internal control and for reviewing its effectiveness. It can only provide reasonable, but not absolute, assurance against material misstatement or loss.

Internal financial control monitoring procedures undertaken by the Board and executive team include the preparation and review of annual forecasts, review of monthly financial reports and KPIs, monitoring of performance, and the prior approval of all significant transactions as set out on page 9.

The Company has established a policy and share dealing code relating to dealing in the Company's shares by Directors, employees and connected persons.

Richard Rose
Non-executive Chairman

Directors' Report

The Directors present their report and the audited Financial Statements for the year ended 31 December 2019.

Directors

The Directors who held office at 31 December 2019 were Richard Rose, Stefan Borson, Lord Howard and David Young.

The remuneration of the Directors including their respective shareholdings in the Company is set out in the Directors' Remuneration Report on pages 14 to 16.

As at 31 December 2019, the following Directors held shares in the Company: Stefan Borson (300,000), Richard Rose (100,000); and Lord Howard (12,608).

Directors' and Officers' liability insurance and indemnification of Directors

The Company maintains Directors' and Officers' liability insurance which gives appropriate cover for any legal action brought against its Directors. The Company has also granted indemnities to each of its Directors to the extent permitted by law. Qualifying third party indemnity have been adopted by the Board. These indemnities remain in force in relation to certain losses and liabilities which the Directors may incur to third parties in the course of acting as Directors of the Company.

Share capital

The Company has only ordinary shares of 10 pence nominal value in issue. Note 25 to the Financial Statements summarises the rights of the ordinary shares.

Substantial shareholdings

As at 8 May 2020, the Company had been advised under the Disclosure and Transparency Regime, or had ascertained from its own analysis, that the following held interests of 3% or more of the voting rights of its issued share capital:

Shareholder	No. of shares	% holding
Polygon Global Partners LLP	13,460,255	29.24
Beach Point Capital Management LP	7,888,718	17.14
Sand Grove Capital Management LLP	5,179,279	11.25
M&G Investments (Prudential)	2,916,666	6.34
BlueMountain Capital Management, LLC	2,248,093	4.88
Subtotal	**31,693,011**	**68.85**

Dividends

The Directors do not recommend the payment of a final dividend (2018: nil).

Committees of the Board

The Board has established Audit, Nominations, Remuneration and Disclosure Committees. Details of these Committees, including membership and their activities during 2019 are contained in the Corporate Governance section of this Annual Report and in the Remuneration Report on pages 14 to 18.

Corporate governance

The Group's report on Corporate Governance is on pages 17 to 18 and forms part of this Directors' Report.

Companies Act 2006 disclosures

In accordance with Section 992 of the Companies Act 2006, the Directors disclose the following information:

- The Company's capital structure and voting rights are summarised on page 64, and there are no restrictions on voting rights nor any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights;
- There exist no securities carrying special rights with regard to the control of the Company;
- Details of the substantial shareholders and their shareholdings in the Company are listed above;
- The rules concerning the appointment and replacement of Directors, amendment to the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006;
- There exist no agreements to which the Company is party that may affect its control following a takeover bid; and

Directors' Report (continued)

- There exist no agreements between the Company and its Directors providing for compensation for loss of office that may occur because of a takeover bid.

Articles of Association

The Company's Articles of Association set out the rights of shareholders including voting rights, distribution rights, attendance at general meetings, powers of Directors, proceedings of Directors as well as borrowing limits and other governance controls. A copy of the Articles of Association can be requested from the Group Company Secretary.

Conflicts of interest

Transactions in which one or more of the Directors had a material interest in and to which the Company, or its subsidiaries, was a party during the financial year are described in note 33 to the Financial Statements, Related Parties. Other than as described in that note, there were no contractual relationships between the Directors and companies with which they are connected and the Watchstone Group plc Group of companies during the year.

The Company has procedures set out in the Articles of Association for managing conflicts of interest. Should a Director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with the Group, they are required to notify the Board as soon as reasonably practicable. David Young has notified the Board that he is a director of Premium Credit Limited, with which ingenie entered into a trading relationship during the year. Mr Young played no part in negotiating or agreeing the terms of the relationship.

Going concern

The Directors have made appropriate enquiries and consider that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors have included the impact of potential or actual litigation and the impact of COVID-19 in their considerations. Accordingly, the Directors continue to adopt the going concern basis in preparing the Financial Statements.

Financial instruments

The Group does not generally have complex financial instruments. The financial instruments comprise cash and liquid resources and various items such as trade debtors and trade creditors that arise from its operations. Further information in relation to the financial risk management objectives of the Group, the financial risk factors noted and a detailed analysis of the Group's exposure to interest risk, liquidity risk, capital risk and credit risk is included in note 29 to the Financial Statements.

Political donations

The Group has not made any political donations during the year ended 31 December 2019 (2018: £nil).

Employees

The Group has a policy of offering equal opportunities to employees at all levels in respect of the conditions of work. Throughout the Group, it is the Board's intention to provide possible employment opportunities and training for disabled people and to care for employees who become disabled having regard to aptitude and abilities.

Regular consultation and meetings, formal or otherwise, are held with all levels of employees to discuss problems and opportunities.

Statement of Directors responsibilities

The Directors are responsible for preparing the annual report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group and Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare Financial Statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject

to any material departures disclosed and explained in the Financial Statements; and

- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the Financial Statements are made available on a website. Financial Statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of Financial Statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

Disclosure of information to the Auditor

In the case of each of the persons who are Directors of the Company at the date when this report is approved:

(a) so far as each Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and

(b) each of the Directors has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information (as defined) and to establish that the Company's Auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of BDO LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

Annual General Meeting ("AGM")

The 2020 AGM will be held on 24 June 2020 in London. The Chairman of the Board and of each of its Committees will be in attendance in person or on video conference at the AGM to answer questions from shareholders.

The Notice of Meeting and an explanation of the resolutions to be put to the meeting will be made available on the Company's website at watchstonegroup.com and will be posted to those shareholders registered to receive paper copies in due course.

The evolving COVID-19 situation and the related Government restrictions will likely impact the ability of shareholders to attend the AGM in person. In normal circumstances, the Board greatly values the opportunity to meet shareholders in person. However, it fully supports the recent Stay at Home measures, and takes seriously the Company's responsibility to slow the spread of COVID-19. The Stay at Home measures currently prohibit public gatherings of more than two people. The only exceptions to this are where the gathering is of people who live together or where the gathering is 'essential for work purposes' (noting that workers should try to minimise all gatherings). Attendance at an AGM by a shareholder (other than as specifically required to form the quorum for that meeting) is not 'essential for work purposes'.

On this basis, the Board currently intends to conduct the AGM in a reasonable manner with the fewest possible participants. The AGM will be convened with the minimum necessary quorum of two shareholders (as arranged by the Company) in order to conduct the business of the meeting.

It is our current intention to live-stream the AGM so that shareholders will be able to follow the meeting remotely. However, this will be kept under review and subject to the Government guidance in place at the time of the AGM. For further details of how to access the AGM remotely, please email info@watchstonegroup.com.

The situation regarding COVID-19 is evolving rapidly and the Company is following the health advice of the UK Government and Public Health England. Shareholders are encouraged to monitor the Company's website for any further updates in relation to arrangements for the AGM.

By order of the Board

Stefan Borson
Group Chief Executive Officer and Company Secretary

Audit Committee Report

The Committee is chaired by David Young who sits alongside Lord Howard. It meets at least twice a year with attendance from the external Auditors and the Group's Chief Executive Officer and Finance Director as required. The Committee is responsible for:

- ensuring that the appropriate financial reporting procedures are properly maintained and reported on;
- meeting the Auditors and reviewing their reports relating to the Group's accounts and internal control systems;
- reviewing and monitoring the independence of the external Auditor and the objectives and effectiveness of the audit process; and
- reviewing arrangements by which staff may in confidence raise concerns about possible improprieties in matters of financial reporting or otherwise and receiving and dealing with matters reported under these arrangements.

Summary of meetings during the year

The focus of the Committee has again been on the integrity of the Group's financial accounting and ensuring that shareholders can have confidence in the Group's accounting policies and systems and, as a result, in its reported results. Particular attention has been paid to reporting appropriately the trading performance of the Group's remaining businesses and the profit on sale of Healthcare Services which was held for sale at the year end and sold soon after. The Committee also oversaw the process for appointing BDO LLP ("BDO") as auditors to replace KPMG LLP ("KPMG"). There were three formal meetings of the Committee as well as briefing discussions with individual committee members.

Relationship with the Auditor and Change of Auditor

Shareholders approved the re-appointment of KPMG at the 2019 AGM. However, it was announced on 23 January 2020 that BDO had been appointed as auditor for the year ended 31 December 2019 in a process which was overseen by the Committee.

There were a number of factors in the Committee's decision to seek proposals from firms other than KPMG to act as auditor.

- KPMG had acted as Auditor for the years ended 31 December 2013, 2014, 2015, 2016, 2017 and 2018. On 11 June 2018, the FRC fined and reprimanded KPMG and one of its partners following their admission of misconduct in relation to the audit of the financial statements of Quindell plc for the year ended 31 December 2013. As a result of KPMG's risk assessment of factors including the SFO investigation into Quindell and the Group's litigation, KPMG kept in place a significant number of heightened procedures over the audit, including additional audit partner reviews, extensive technical partner reviews and regular assessments by their internal risk department. The Board and the Committee felt that an audit firm who was not associated with the past would take a different view of the scope necessary for a high quality audit. We felt that this different view could be reflected in a reduced cost for an audit of at least equal quality.
- The risk of there being potential conflict of interest.
- The Committee was disappointed by the service levels in relation to certain subsidiary audits.
- As detailed in note 7 to the Financial Statements, KPMG sought, and the Company reluctantly agreed to settle amounts relating to the 2018 audit in excess of the initial audit fee estimate.

KPMG's resignation letter to the Company said that: "The circumstances connected with our ceasing to hold office are that going forward the levels of fees required to cover the costs to perform the audit is not acceptable to the company" reflecting the Committee's concerns above. KPMG further wrote that: "there is no matter connected with our ceasing to hold office, whether the above reason or otherwise, that needs be brought to the attention of the company's members or creditors".

The Committee considered a range of firms, (both "Big 4" and non-"Big 4") and sought proposals from two firms, one of which was BDO, which it felt had the experience of auditing AIM-listed companies of the size, complexity and, because at that point Healthcare Services had not been disposed of, the international links necessary to complete the 2019 audit. Both firms submitted proposals which were considered by the Committee after the Committee chair had met each firm. The Committee was concerned to ensure that, as set out in the FRC's guidance to audit committees, the audit fee level was not a factor in the decision of which firm to choose. The fee proposals received were broadly similar which has given the Committee comfort that the level of fee payable to BDO is appropriate and that an effective, high quality, audit can be conducted for such a fee. BDO was chosen for a number of factors, in particular, for the breadth of audit experience within the team. The Committee was also pleased to note the results of the FRC's Audit Quality Review into BDO which were published in July 2019, compared to other Big 7 firms.

The Committee believes that the independence of the Auditor is one of the primary safeguards for shareholders. The Committee reviewed audit independence and the scope of non-audit services and independence safeguards with BDO. As part of this review, the Committee has received and reviewed written confirmation that, in BDO's professional judgement, BDO is independent within the meaning of all UK regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff is not impaired.

2019 Audit and Financial Reporting

The Committee reviewed with both management and KPMG in respect of the half-year and BDO in respect of the full year, the appropriateness of the half-year and annual financial statements concentrating on, amongst other matters:

- the quality and acceptability of accounting policies and practices;
- the appropriateness and clarity of the disclosures and compliance with financial reporting standards;
- material areas in which significant judgements have been applied or estimates made or where there has been challenge from the Auditors;
- the audit report which BDO has issued and their application of materiality and audit scope to the reduced level of ongoing business given the legacy assets and potential liabilities; and
- whether the annual report and accounts, taken as a whole, present the results for the year in a fair and balanced way and provide the information necessary for shareholders to assess the Company's financial position, performance, business model and strategy.

As a Committee it supports the Auditors in displaying the necessary professional scepticism their role requires and, when necessary, meets with the Auditors without the executive management being present.

The Committee paid particular consideration to the scope of the audit and the risks with the greatest impact to financial reporting and on the audit. A number of the issues below are also referenced in the Independent Auditor's Report and shareholders may wish to refer to that report for the Auditor's assessment of the audit risk and how their audit procedures responded to that risk. The Committee reviewed and considered the significant issues in relation to the Financial Statements and how these have been addressed. These issues included:

- **Presentation of assets and liabilities held for sale**
  The accounts are presented with the Healthcare Services held for sale at the year end on the basis that it had been taken to market and the Company had entered into a conditional sale and purchase agreement in September 2019 with a plan in place for sale to complete prior to 31 December 2019. The reflection of the assets and liabilities as held for sale, along with activities as discontinued, has a highly material impact on the presentation of the financial statements.
- **Income statement presentation and non-underlying items**
  The accounts and strategic report make a number of references to businesses and costs as underlying or non-underlying in order to provide a better understanding of the underlying trading performance of the Group's remaining businesses. The Committee has reviewed the judgements made by management in determining the presentation of these items and their description in the Strategic Report in the light of applicable accounting standards and guidance.
- **Cash and term deposits**
  Given the high percentage of the Group's net assets represented by cash and term deposits and the expected return of a majority of those balances in the return of capital, the Committee considered the procedures to verify those balances.
- **Estimates of provisions required at the year end**
  The Group still has some material provisions for legal disputes and regulatory matters as shown in note 23 to the Financial Statements. The overall level of net provisions has reduced significantly during the year as issues have been settled. Nevertheless, provisions

Audit Committee Report (continued)

can involve significant judgement and therefore the Committee have reviewed the assumptions made by management of the accuracy and valuation of the outstanding provisions. The Committee reviewed whether contingent liabilities and assets have been correctly treated.

- **Application of IFRS 16**
  The Group applied IFRS 16 for the first time as it was effective for accounting periods beginning 1 January 2019. The Committee reviewed how the standard had been applied, the key assumptions used in recognising the right of use asset and equivalent lease liability and the disclosures made.

Risk management and internal control

In the light of the reduction in the size of the Group, the Committee reviewed ability of the now small financial management team to prepare accurate and relevant management information and manage the Group's assets and legacy issues. Operational risk management is carried out within the Group's remaining trading business.

Independent Auditor's Report to the members of Watchstone Group plc

Opinion

We have audited the financial statements of Watchstone Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, Company Statement of Financial Position, Company Cash Flow Statement, Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is not appropriate; or
- the Directors have not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Financial Statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

As detailed in the accounting policies and also note 4 to the Financial Statements, the Group earns revenue principally in the form of broking and introductory commissions and fees and telematics services and devices. Broking commissions and fees are recognised at a point in time, when the Group has met its obligations in delivering an insurance customer to its insurer and financer partners, while revenues from telematics services and devices are recognised over time as the service is delivered.

Due to the recognition and deferral of revenue based on customer data, we consider there to be a significant risk that revenue could be recorded in the wrong period due to error or manipulation. There is also judgement involved in relation to the application of IFRS 15 – Revenue from contracts with customers, particularly in the determination that telematics

Independent Auditor's Report to the members of Watchstone Group plc (continued)

services provided represent a single performance obligation to be recognised over time. The procedures on revenue recognition also represented a significant part of our audit strategy in terms of the level of direction and supervision and allocation of resources and so, consequently, revenue recognition was considered an area of focus for our audit.

How We Addressed the Key Audit Matter in the Audit
We considered the appropriateness of the Group's accounting policies for revenue in the light of the revenue recognition principles of applicable accounting standards. In particular, we assessed management's assertion that, in relation to telematics services, the services delivered represent a single performance obligation to be recognised over time.

In respect of broking and introductory commissions and fees, a sample of monthly revenues were agreed to third party statements from the insurer and financer partners. In addressing the completeness of these revenues, a sample of monthly third party statements from the insurer and financer partners were traced through to revenues recognised, checking that they had been recognised in the appropriate accounting period.

We tested a sample of telematics revenues to insurer and financer partner statements and recalculated the revenue to be recognised, along with deferred revenue at the year end. In order to test the completeness of telematics revenues, a sample of revenue from telematics boxes within property, plant and equipment were selected to check that appropriate revenues were being recognised across the policy term.

We tested Management's reconciliation between revenues recognised and cash received, assessing whether reconciling items were appropriate and complete through testing a sample to supporting documentation.

Key observations
Based on the procedures performed, we consider that revenue has been appropriately recognised in accordance with the Group's accounting policies.

Legal cases

As detailed in note 31 to the Financial Statements, there were ongoing legal cases at the balance sheet date involving litigation against the Group. There is significant judgement and estimation inherent in determining the extent to which liabilities for settlement, along with associated legal fees, should be recognised in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. There is also judgement as to the extent and nature of disclosure in relation to contingent liabilities.

Due to the degree of judgement and estimation involved, as described further in note 4, and the material impact on the financial statements, the accounting for and presentation of the legal cases was considered to be an area of focus for our audit.

How We Addressed the Key Audit Matter in the Audit
We obtained direct confirmation from the Group's lawyers as to the nature of ongoing legal cases; the estimate of legal costs to conclude the ongoing cases; and whether it is considered possible to make a reliable estimate of the settlement value. We assessed the calculation of the legal fees provision, and judgement that any liability for future payment in settlement of the cases is a contingent liability for disclosure, against the requirements of applicable accounting standards. We obtained supporting evidence for provisions utilised in the year in order to check that such costs had been appropriately allocated against the provisions.

In addressing the completeness of legal provisions at the balance sheet date, we obtained supporting legal documentation for the PSD Settlement during the year, as described in note 32 to the Financial Statements, and assessed the judgement that no further provision is required in relation to this matter.

We also reviewed board minutes, press releases and other external information in order to identify whether there were any other matters which could impact the completeness of provisions recognised or contingent liabilities disclosed.

Key observations
Based on the above procedures, we consider that requirements of applicable accounting standards have been appropriately applied in relation to the recognition of provisions and disclosure of contingent liabilities for the Group's legal cases.

Presentation of held for sale assets and liabilities and discontinued operations

The Group has determined Healthcare Services to have been held-for-sale at the year-end, in accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. The policy for presenting assets and liabilities within disposal groups is stated in the accounting policies, with further detail in relation to the Healthcare Services sale set out in note 32 to the Financial Statements. Consequently, the assets and liabilities are presented as held for sale within a disposal group and the post-tax loss of the operation is presented as a single amount on the face of the consolidated income statement within discontinued operations.

In addition, the return of the escrow monies in relation to the PSD Settlement during the year, as described in the business review and note 32, has also been presented within discontinued operations in the consolidated income statement.

There can be significant judgement involved in the application of IFRS 5 and the determination of the assets and liabilities as held for sale, along with activities as discontinued which has a material impact on the presentation of the Financial Statements. Therefore, this was considered an area of focus for our audit.

How We Addressed the Key Audit Matter in the Audit
We obtained evidence in support of Management's assertion that Healthcare Services was being actively marketed with a plan for disposal prior to the year end.

We checked the consolidation adjustments in order to ensure that the appropriate assets and liabilities had been captured in the held for sale categories.

We checked that the assets were held at the lower of cost and net realisable value with reference to the sale agreement, as executed subsequent to the balance sheet date.

In addressing the completeness of business lines presented as held for sale, we inspected documentation such as board minutes to identify whether any evidence existed that the ingenie business line should also be presented as held for sale.

We also considered the presentation of the credit from the escrow monies in relation to the PSD Settlement in accordance with applicable accounting standards.

Key observations
Based on the procedures performed, we consider that the relevant business lines have been appropriately presented as discontinued operations, with the associated assets and liabilities appropriately presented within a disposal Group and as held for sale.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken based on the Financial Statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements.

Group materiality: £1,300,000 (2018: £320,000)
Parent Company materiality: £900,000 (2018: £285,000).

Our materiality for both the Group and Parent Company Financial Statements for the current year was based on 1.2% of total assets, excluding intercompany investments and receivables in the case of the Parent Company. This is due to the fact that we consider the asset position of the Group and Parent Company, rather than the performance of the remaining trading operation, to be of most interest to the users of the Financial Statements in light of the Group's strategy to dispose of the remaining trading business and return capital to shareholders. Materiality in the prior year was based on 0.8% of revenue for the Group Financial Statements and 1.5% of the loss before tax for the Parent Company Financial Statements.

Using our professional judgement and on the basis of our risk assessment, together with our assessment of the Group's control environment, performance materiality for the Group was set at 60% of Group materiality, being £780,000. Performance materiality for the Parent Company was set at 65% of Parent Company materiality at £585,000.

Materiality levels used for each key component ranged from £90,000 to £900,000.

We agreed with the audit committee that we would report to them all audit differences in excess of £39,000 (2018: £16,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The Group's continuing operations are based in the United Kingdom, with the discontinued operation during the year based in Canada. The scope of our Group audit was established by obtaining an understanding of the Group, including its control environment, and assessing the risks of material misstatement.

Independent Auditor's Report to the members of Watchstone Group plc (continued)

We identified nine components, four of which were considered significant and subject to a full-scope audits by BDO LLP. This resulted in coverage of 100% of Group revenues and 99% of Group assets, with specific scope procedures having been performed on the remaining Group assets.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the Financial Statements and our Auditor's Report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, within the Director's Report, set out on page 20, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: frc.org.uk/auditorsresponsibilities.
This description forms part of our Auditor’s Report.

Use of our report

This report is made solely to the Parent Company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company’s members those matters we are required to state to them in an Auditor’s Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Malcolm Thixton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton, United Kingdom
12 May 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Financial Statements

Consolidated Income Statement

for the year ended 31 December 2019	Note	2019 Underlying £000	2019 Non-underlying* £000	2019 Total £000	2018 Underlying £000	2018 Non-underlying* £000	2018 Total £000
Revenue		7,342	–	7,342	7,841	–	7,841
Cost of sales		(5,366)	–	(5,366)	(4,375)	–	(4,375)
Gross profit		1,976	–	1,976	3,466	–	3,466
Administrative expenses	7	(8,084)	(651)	(8,735)	(9,112)	(13,338)	(22,450)
Group operating loss		(6,108)	(651)	(6,759)	(5,646)	(13,338)	(18,984)
Finance income	10	389	–	389	355	–	355
Finance expense	10	(259)	–	(259)	19	–	19
Loss before taxation		(5,978)	(651)	(6,629)	(5,272)	(13,338)	(18,610)
Taxation	11	178	3	181	167	–	167
Loss after taxation for the year from continuing operations		(5,800)	(648)	(6,448)	(5,105)	(13,338)	(18,443)
Net gain on disposal of discontinued operations	32	–	–	–	–	558	558
Profit/(loss) for the year from discontinued operations, net of taxation	32	–	37,342	37,342	–	(1,019)	(1,019)
Profit/(loss) after taxation for the year		(5,800)	36,694	30,894	(5,105)	(13,799)	(18,904)
Attributable to:							
Equity holders of the parent		(5,800)	36,669	30,869	(5,105)	(13,799)	(18,904)
Non-controlling interests		–	25	25	–	–	–
		(5,800)	36,694	30,894	(5,105)	(13,799)	(18,904)
Earnings/(loss) per share (pence):							
Basic	12	(12.6)		67.1	(11.1)		(41.1)
Diluted	12	(12.6)		67.1	(11.1)		(41.1)
Loss per share from continuing operations (pence):							
Basic	12			(14.0)			(40.1)
Diluted	12			(14.0)			(40.1)

* Non-underlying results have been presented separately to give a better guide to underlying business performance (see notes 1 and 8).

The accompanying notes form part of the Financial Statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019	2019	2018
	£000	£000
Profit/(loss) after taxation	**30,894**	(18,904)
Items that may be reclassified in the Consolidated Income Statement		
– Exchange differences on translation of foreign operations	**(6)**	(365)
Total comprehensive income/(loss) for the year	**30,888**	(19,269)
Attributable to:		
Equity holders of the parent	**30,856**	(19,234)
Non-controlling interest	**32**	(35)
	30,888	(19,269)

The accompanying notes form part of the Financial Statements.

Financial Statements (continued)

Consolidated Statement of Financial Position

as at 31 December 2019	Note	2019 £000	2018 £000
Non-current assets			
Goodwill	14	–	8,157
Other intangible assets	13	**819**	3,144
Property, plant and equipment	15	**646**	1,854
Other receivables	32	**260**	759
		1,725	13,914
Current assets			
Inventories	17	**435**	760
Corporation tax	11	**178**	–
Trade and other receivables	18	**2,777**	5,110
Term deposits	19	**15,000**	40,000
Cash	20	**56,611**	10,113
		75,001	55,983
Assets of disposal group classified as held for sale	32	**27,601**	–
Total current assets		**102,602**	55,983
Total assets		**104,327**	69,897
Current liabilities			
Cumulative redeemable preference shares	22	–	(2,209)
Trade and other payables	21	**(4,719)**	(8,201)
Provisions	23	**(4,147)**	(11,319)
		(8,866)	(21,729)
Liabilities of disposal group classified as held for sale	32	**(17,749)**	–
Total current liabilities		**(26,615)**	(21,729)
Non-current liabilities			
Cumulative redeemable preference shares	22	–	(1,278)
Provisions	23	**(19)**	(85)
Deferred tax liabilities	24	**(1)**	(1)
		(20)	(1,364)
Total liabilities		**(26,635)**	(23,093)
Net assets		**77,692**	46,804
Equity			
Share capital	25	**4,604**	4,604
Other reserves	26	**137,486**	137,827
Retained earnings	26	**(64,905)**	(96,288)
Equity attributable to equity holders of the parent		**77,185**	46,143
Non-controlling interests		**507**	661
Total equity		**77,692**	46,804

The Financial Statements of Watchstone Group plc, registered number 05542221, on pages 30 to 75 were approved and authorised for issue by the Directors on 12 May 2020 and signed on its behalf by:

Stefan Borson
Director

David Young
Director

The accompanying notes form part of the Financial Statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019	Share capital	Share premium account	Reverse acquisition and merger reserve	Other equity reserves	Foreign currency translation reserve	Total other reserves	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 January 2019	4,604	127,251	(10,024)	23,316	(2,716)	137,827	(96,288)	46,143	661	46,804
Profit for the year	–	–	–	–	–	–	30,869	30,869	25	30,894
Other comprehensive income	–	–	–	–	(13)	(13)	–	(13)	7	(6)
Total comprehensive income	–	–	–	–	(13)	(13)	30,869	30,856	32	30,888
Preference shares repaid and not converted	–	–	–	–	–	–	186	186	(186)	–
Expiration of share options	–	–	–	(328)	–	(328)	328	–	–	–
Total transactions with owners, recognised directly in equity	–	–	–	(328)	–	(328)	514	186	(186)	–
At 31 December 2019	4,604	127,251	(10,024)	22,988	(2,729)	137,486	(64,905)	77,185	507	77,692

The accompanying notes form part of the Financial Statements.

Financial Statements (continued)

Consolidated Statement of Changes in Equity (restated*) (continued)

for the year ended 31 December 2018	Share capital	Share premium account	Reverse acquisition and merger reserve	Other equity reserves	Foreign currency translation reserve	Total other reserves	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 January 2018 (restated*)	4,604	127,251	(10,024)	23,316	(2,386)	138,157	(77,634)	65,127	946	66,073
Loss for the year	–	–	–	–	–	–	(18,904)	(18,904)	–	(18,904)
Other comprehensive income	–	–	–	–	(330)	(330)	–	(330)	(35)	(365)
Total comprehensive income	–	–	–	–	(330)	(330)	(18,904)	(19,234)	(35)	(19,269)
Preference shares repaid and not converted	–	–	–	–	–	–	250	250	(250)	–
Total transactions with owners, recognised directly in equity	–	–	–	–	–	–	250	250	(250)	–
At 31 December 2018	4,604	127,251	(10,024)	23,316	(2,716)	137,827	(96,288)	46,143	661	46,804

* In the Annual report and Financial Statements for the year ended 31 December 2018, a transfer of £1,539,000 between the foreign currency translation reserve and retained earnings was made. This was intended to correct an error related to the disposal or wind down of the overseas Hubio businesses during the year ended 31 December 2017, where the accumulated foreign currency translation difference was not reclassified to profit or loss on disposal. However, due to the quantum of this error, the correction should have been affected through a prior year adjustment, rather than through a reserves transfer in 2018; the opening reserves balances as at 1 January 2018 have been restated to correct this error. A consolidated statement of financial position as at 1 January 2018 (as required by IAS 1.10(f)) has not been presented as the error is limited to two reserves within equity.

The accompanying notes form part of the Financial Statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2019	Note	2019 £000	2018 £000
Cash flows from operating activities			
Cash used in operations before exceptional costs, net finance expense and tax	27	**(1,639)**	(1,672)
Non underlying cash in/(out) flows excluding discontinued operations		**32,616**	(6,834)
Cash generated by/(used in) operations before net finance expense and tax		**30,977**	(8,506)
Net cash generated by/(used by) operating activities		**30,977**	(8,506)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(5,732)**	(1,411)
Purchase of intangible fixed assets		**(693)**	(1,057)
Disposal of subsidiaries net of cash foregone		**–**	87
Investment in term deposits		**(75,000)**	(100,000)
Maturity of term deposits		**100,000**	100,000
Interest income		**333**	349
Recovery of fully impaired investment		**–**	250
Net cash generated by/(used in) investing activities		**18,908**	(1,782)
Cash flows from financing activities			
Finance expense paid		**(1,052)**	–
Finance income received		**56**	–
Redemption of preference shares		**(1,832)**	(2,454)
Finance lease repayments		**–**	(4)
Net cash used in financing activities		**(2,828)**	(2,458)
Net increase/(decrease) in cash and cash equivalents		**47,057**	(12,746)
Cash and cash equivalents at the beginning of the year	20	**10,113**	22,808
Exchange gains on cash and cash equivalents		**6**	51
Cash and cash equivalents at the end of the year	20	**57,176**	10,113

The above Consolidated Cash Flow Statement includes cash flows from both continuing and discontinued operations. Further details of the cash flows relating to discontinued operations are shown in note 32.

As at 31 December 2019, the Group had cash and cash equivalents of £57,176,000 (2018: £10,113,000) of which £565,000 (2018: £nil) is included within assets held for sale. The Group also has term deposits of £15,000,000 (2018: £40,000,000).

The accompanying notes form part of the Financial Statements.

Notes to the Financial Statements

1. General information

Watchstone Group plc is a public company limited by shares and is registered and domiciled in the United Kingdom. The Financial Statements are presented in pounds sterling, to the nearest thousand, as this is the currency of the primary economic environment in which the Company operates. The address of the registered office is Highfield Court Tollgate, Chandler's Ford, Eastleigh, Hampshire, England, SO53 3TY. The nature of the Group's operations and its principal activities are set out on page 4.

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;

a) be exceptional in size, nature or incidence. This primarily relates to legal fees, movements in provisions for legal fees and the settlement of historical legal matters and restructuring costs.

b) relate to businesses which do not form part of the continuing business of the Group. Non-underlying businesses include the income and expenses of Maine Finance and ingenie Canada. Businesses 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 Healthcare Services and Hubio.

c) 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. Further details are provided in note 8.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of these Financial Statements are set out below. Other than as discussed in note 3, these policies have been consistently applied to all the years presented.

Basis of preparation

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations adopted by the European Union (EU). A summary of the significant Group accounting policies, which have been applied consistently across the Group, is set out below. The Group has reviewed its accounting policies in accordance with IAS 8 and determined that they are appropriate for the Group and have been consistently applied.

In preparing these Financial Statements the Board has taken into account all available information in the application of its accounting policies and in forming judgements.

Going concern

The Group holds significant cash reserves and no material debt. The Group has concluded that its cash reserves together with ongoing operating cash flows will be sufficient to fund the ongoing operations of the Group's businesses together with any future development needs of those businesses, the impact of COVID-19, and the settlement of legacy matters.

On this basis, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors have not identified any material uncertainties that would cast significant doubt on the ability of the Group to continue as a going concern. As such, the Directors continue to adopt the Going Concern basis of accounting in the preparation of the Financial Statements.

Basis of Consolidation

The Financial Statements represent a consolidation of the Company and its subsidiary undertakings as at the Statement of Financial Position date and for the year then ended. Subsidiaries acquired or disposed of during the year are included in the Consolidated Financial Statements from, or up to, the date upon which the investor has control over the investee. The definition of control is such that an investor has control over an investee when a) it has power over the investee; b) it is exposed, or has the rights, to variable returns from its involvement with the investee; and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. All subsidiary undertakings in which the Group has control have been consolidated in the Group's results.

Non-controlling interests represent the portion of profit or loss in subsidiaries that is not held by the Group and is presented within equity in the Consolidated Statement of Financial Position, separately from the Company shareholders' equity. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business Combinations

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over fair values of the identifiable net assets acquired is recognised as goodwill.

Assets and disposal groups held for sale

Assets are classified as held for sale if their carrying amount will be recovered by sale rather than by continuing use in the business. Where a group of assets and their directly associated liabilities are to be disposed of in a single transaction, such disposal groups are also classified as held for sale. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition, and management must be committed to and have initiated a plan to sell the asset or disposal group which, when initiated, was expected to result in a completed sale within 12 months. Assets that are classified as held for sale are not depreciated. Assets or disposal groups that are classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Upon disposal of overseas operations realised exchange within the foreign currency translation reserve is transferred to retained earnings Other than as noted above discontinued operations follow the same accounting policies as the rest of the Group, as set out as follows.

Revenue recognition

The Group receives income through physiotherapy services, telematics services and devices, broking commissions and Initial Licence Fees and Software as a Service (SaaS).

When selling software, new solution sales typically involve software licences being sold together with Post Customer Support services and/or implementation services. Where the commercial substance of such a combination is that the individual components are distinct the consideration is allocated to the performance obligations within the agreement and then recognised in accordance with their respective policies described below.

The revenue recognition policies for separately identifiable revenue streams are as follows:

Physiotherapy services – Healthcare Services
Where the customer is deemed to be the patient the performance obligations relate directly to the delivery of the service by the healthcare professional and as such are recognised at a point in time as delivered. When the customer is separate to the patient the performance obligation, and therefore right to consideration, is to treat and successfully discharge the patient. Each treatment of a patient is not separated into separate performance obligations since it is not possible to allocate the fixed transaction price to the variable number of treatments which may be provided. In this instance the performance obligation is met upon discharge of the patient resulting in the Group becoming entitled to the related revenue. These revenues are shown within discontinued operations.

Telematics services and devices – ingenie
Goods and services, such as the provision of telematics devices and associated data relate to a single performance obligation delivered over time. Revenues are recognised evenly over the period of the contract they relate to, including upfront payments, commencing when the end user takes up the telematics service. All elements of the service are treated as an integrated part of the overall offering and are not unbundled or fair valued because they are not separately usable to the end user. These revenues are shown as ingenie, performance obligations met over time within note 6. Costs excluding telematics boxes are recognised in the period as incurred. Where telematics devices are included as part of the services to end users they are capitalised and depreciated over their useful economic life.

Broking commissions and fees – ingenie
Broking commissions and fees for insurance business represent a performance obligation met a point in time, being either upon inception of the insurance policy, cancellation or change in vehicle, since at this point the Group has met its obligations to the insurer. Commission amounts are receivable as a single amount upon inception and are subject to clawback as detailed below. These revenues are shown as 'ingenie, performance obligations met at a point in time' within note 6.

Notes to the Financial Statements (continued)

Where services are subject to clawbacks of revenue over the duration of the contract, an initial estimate of clawback is made based on historical data and an adjustment is made to the revenue already recognised.

Initial licence fees and SaaS – ingenie and Healthcare Services

When persuasive evidence of a contract exists, the performance obligations within the agreement are assessed. If insufficient evidence exists, then no revenue is recognised. The product and services are highly interrelated, and it is not possible to separate the performance obligations within each contract. For example, the provision of a software licence and services to configure the system for use by the customer. Consequently, the promises within the contract represent a single performance obligation delivered over time. Revenue starts to be recognised when delivery has occurred, the licence or other one-time fee is fixed or determinable, the collection of the fee is reasonably assured, no significant obligations with regard to success, installation or implementation of the software or service remain, and customer acceptance, when applicable, has been obtained. These revenues are shown within both 'ingenie, performance obligations met over time' within note 6 and within discontinued operations.

Contract amendments

Where further agreements in respect of licence fees and SaaS are entered in to with a customer, or changes made to the initial promises in the contract the changes are assessed to determine if they are distinct from the initial promises, and therefore represent a new contract to be recognised prospectively, or if not distinct, represent a contract modification to be recognised retrospectively with a related adjustment in the current period. This typically occurs when negotiating an extension to an existing contract.

Marketing expenses

Marketing expenses are expensed in the period in which they are incurred.

Exceptional items

Exceptional items are those that in management's judgement, need to be disclosed by virtue of their size, nature or incidence, in order to draw the attention of the reader and to better show the underlying business performance of the Group. These are expected to be non-recurring material items which are outside of the Group's ordinary activities. Such items are included within the income statement caption to which they relate and are separately disclosed in the notes to the consolidated financial statements.

Retirement benefit costs

The Group provides pension arrangements to certain of its full time UK employees through a money purchase (defined contribution) scheme. Contributions and pension costs are based on pensionable salary and are charged as an expense as they fall due. The Group has no further payment obligations once the contributions have been paid. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Foreign currency translation

The functional and presentational currency of the Parent Company is UK pounds sterling. Transactions denominated in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each Statement of Financial Position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the Statement of Financial Position date, with any gains or losses being included in net profit or loss for the year.

On consolidation the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the Statement of Financial Position date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are dealt with through the Group's reserves, until such time as the subsidiary is sold whereupon the cumulative exchange differences relating to the net investment in that foreign subsidiary are recognised as part of the profit or loss on disposal in the Consolidated Income Statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Goodwill

Goodwill on the acquisition of a business is recognised as an asset at the date the business is effectively acquired ("the acquisition date"). Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually with any impairment recognised immediately in the Consolidated Income Statement and not subsequently reversed. For the purpose of impairment testing, goodwill is allocated to each of the Group's CGUs expected to benefit from the synergies of the combination. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of the goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis.

Other intangible assets

Intangible assets with finite useful lives are initially measured at cost, or their fair value on the acquisition date if acquired in a business combination. These assets are assumed to have a residual value of £nil and amortised over their useful economic lives as follows:

- IPR, software and licences: between 3-10 years;
- Brands: between 2-10 years; and
- Customer contracts: over the anticipated life of contracts.

Internal costs are capitalised where these are directly attributable to the intangible asset.

Research and development expenditure – internally generated

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

Development costs are capitalised as they are incurred where these are separately identifiable and directly attributable to specific intangible assets that meet the IAS 38 (Intangible Assets) criteria whereby an intangible asset arising from development (or from the development phase of an internal project) shall be recognised if, and only if, an entity can demonstrate all of the following:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

(b) its intention to complete the intangible asset and use or sell it;

(c) its ability to use or sell the intangible asset;

(d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Subsequent costs continue to be capitalised provided they continue to qualify under IAS 38. The intangible assets are amortised by specific asset on a straight line basis over each assets' specific economic life.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. On other assets, depreciation is calculated to write off the cost less estimated residual values over their estimated useful lives as follows:

- Improvements to leasehold land and buildings: Over the term of the lease; and
- Plant and equipment: Telematics devices are depreciated over the average life of the related insurance policy (including renewal). All other plant and equipment are depreciated at 20%-33⅓% per annum reducing balance.

Assets held under leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the expected term of the relevant lease, further details are provided in note 3. Residual value is based on the estimated amount that would currently be obtained from disposal.

Estimated residual values and useful economic lives are reviewed annually and adjusted where necessary.

Impairment of tangible fixed assets and intangible assets including goodwill

At each Statement of Financial Position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. Goodwill is tested for impairment annually, regardless of if an indicator of impairment exists. The recoverable amount is the higher of the asset's value in use and its fair value less costs to sell. Value in use is calculated using cash flow projections for the asset (or group of assets where cash

Notes to the Financial Statements (continued)

flows are not identifiable for specific assets) discounted at a pre-tax discount rate based on the Company's cost of capital adjusted to reflect current market assessment of time value of money and the risk specific to the asset or cash-generating unit. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense in the Statement of Comprehensive Income.

Investments

Fixed asset investments comprise the Group's strategic investments in entities that do not qualify as subsidiaries, associates or jointly controlled entities. They are valued at fair value on initial recognition. Any impairments are dealt with through the Consolidated Income Statement, as are differences between carrying values and disposal receipts. Where investment stakes are subsequently increased a stepped acquisition approach is taken, i.e. when each additional tranche of shares is acquired, the indicators of control and influence for that investment are reviewed to determine how that transaction should be reflected in the Consolidated Financial Statements and also whether the shareholding should be accounted for as a fixed asset investment, associate (under the equity method) or a subsidiary undertaking (and consolidated).

Where investments are subsequently re-measured, profits or losses are recognised through the Consolidated Income Statement.

Leases

The Group adopted IFRS 16, Leases on 1 January 2019. Further details are provided in note 3.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less costs to be incurred in marketing, selling and distribution. Telematics devices are transferred to property, plant and equipment when they come in to use.

Trade receivables

Trade receivables are held at amortised cost less any impairment provisions and this equates to their recoverable value. Movements in the impairment provision relating to credit risk are recognised within administrative expenses as bad debt expenses.

Expected credit losses

Financial assets are classified into a measurement category at inception. The cash flows relating to the financial assets of the group relate solely to principal and interest and are held to collect contractual cash flows. Consequently, they are held at amortised costs and expected credit losses, along with gains and losses relating to foreign exchange are recognised directly in profit and loss.

The Group uses a provision matrix for its short-term receivables after segmenting the assets by geography and type of customer. The provision matrices applied are based upon historical observable default rates, adjusted by forward looking estimates of the economic environment within the next twelve months.

Trade payables

Trade payables do not carry any interest and are recognised initially at their fair value. Subsequent to initial recognition they are measured at amortised cost.

Cash and cash equivalents

Cash in the Statement of Financial Position comprises cash at banks and in hand.

Term deposits

Term deposits represent short term (six months or less) investments in fixed interest deposits with a major UK bank. The related gross cash flows are included within investing activities in the Consolidated Cash Flow Statement. The interest receipts relating to term deposits are also shown within investing activities as interest received. Term deposits do not qualify as cash since they are not held with a view to meeting the short term cash requirements of the Group.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation in respect of a past event and it is probable that settlement will be required of an amount that can be reliably estimated.

Preference shares

Preference shares are redeemable at par at the option of the holder after 10 years and are consequently classified as debt instruments, held at amortised cost. The conversion option relating to the shares is included within equity (non-controlling interests) at initial fair value and is not remeasured.

Taxation including deferred tax

The tax expense represents the sum of current tax and deferred tax. Tax is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised in equity in which case it is recognised in equity. The current tax is based on taxable profit for the year calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax is provided using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets or liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised. Tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Share capital

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Deferred consideration

Deferred consideration is recognised when it is probable that future economic benefits associated with the consideration will be received and may be measured reliably.

3. Adoption of new and revised Standards

In the current year, the following new and revised Standards and Interpretations have been adopted:

Standards, amendment and interpretations affecting the Financial Statements adopted by the Company

The Group adopted IFRS 16, Leases on 1 January 2019 of which the policy and impact is as follows:

Identification of leases:
The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continued to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16.

Policy applicable from 1 January 2019:
At inception of a contract the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

Notes to the Financial Statements (continued)

Policy applicable prior to 1 January 2019:

Prior to 1 January 2019 the Group determined if an agreement was, or contained a lease based upon assessment of whether:

- Fulfilment of the agreement was dependent upon the use of a specified asset or assets; and
- The arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use an asset if one of the following was met:
  - The purchaser had the ability or right to operate the asset
  - The purchaser had the ability or right to control physical access to the asset

Recognition:

The Group recognises a right-of-use asset and a lease liability at the latter of the lease commencement date or the date of transition, being 1 January 2019. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any payments made at or before the lease commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight-line method from the lease commencement date to the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially valued at the present value of lease payments that are not paid at the latter of the commencement date or the date of transition, discounted at a borrowing rate equivalent to a similar loan in the same territory as the right-of-use asset, being the incremental borrowing rate at the date of inception. Lease payments included in the calculation of the lease liability include payments in optional renewal periods if the Group reasonably expects they will be exercised. Variable payments are only included in the measurement of the lease liability if they depend on an index or rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate or if there is a change in the Group's assessment of the likelihood of a renewal option being exercised.

When the lease liability is remeasured, a corresponding adjustment is made to the right-of-use asset or is recorded in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets within property, plant and equipment and lease liabilities within borrowings in the Statement of Financial Position.

Leases of low value assets:

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets. The lease payments associated with these items is recognised on a straight line basis over the lease term.

Transition

The Group has not taken advantage of the exemption under IFRS 16 to grandfather the determination of lease agreements from IAS 17. Consequently, all agreements have been reassessed to determine if they are or contain a lease for the period from 1 January 2019. The allowable exemption to exclude short leases has also not been taken.

Impact

The impact of the changes at 1 January 2019 was to increase Property, Plant and Equipment by £15,398,000 with a corresponding increase in Lease Liabilities. Since the majority of the leases held by the Group are in the Healthcare Services business, £13,352,000 of leased assets within Property, Plant and Equipment were transferred to Assets Held for sale at 31 December 2019. The difference in value from the transition date represents additions net of disposals and depreciation in the year adjusted for exchange differences. Similarly, Labilities Held for Sale includes £14,015,000 in relation to the leases of the Healthcare services business. Interest expense within discontinued operations in the year ended 31 December 2019 has increased by £828,000 and depreciation expense within discontinued operations by £2,087,000. Discontinued administrative expenses, excluding depreciation have reduced by £2,358,000 as IAS 17 lease rentals are no longer included. Within the continuing business the impact upon interest expense is much smaller, being less than £100,000 and the improvement administrative expenses, excluding depreciation is £387,000. Due to the short-term nature and low value of the leases in the continuing business the related assets and liabilities included on the Balance Sheet at 31 December 2019 are trivial.

There are no other new standards, amendments or interpretations adopted by the Company that have a material impact on the Financial Statements for this year.

Other standards:

Standards, amendments and interpretations not significantly affecting the reported results nor the financial position

IFRIC 23	Uncertainty over income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 28	Long-term interests in Associates and Joint Ventures
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Annual Improvements to IFRS 2015-17 cycle	Various standards

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019 (which in some cases have not yet been adopted by the European Union) and have not been applied in preparing these Consolidated Financial Statements. None of these are expected to have a significant effect on the Consolidated Financial Statements of the Company, as follows:

IFRS 17	Insurance Contracts
Amendments to IFRS 10 and 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 14	Regulatory Deferral Accounts
IFRS 3	Definition of a Business
Conceptual Framework	Amendments to References to Conceptual Framework in IFRS Standards
Amendments to IAS 1 and IAS 8)	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

4. Critical accounting judgements and key sources of estimation uncertainty

As set out in the basis of preparation note, in the preparation of these Financial Statements the Board has taken into account all available information in the application of its accounting policies and in forming judgements. In the process of applying the Group's accounting policies, management has made a number of judgements, and the preparation of Financial Statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The key management judgements together with assumptions concerning the future and other key sources of estimation uncertainty at the Statement of Financial Position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimate and judgement: Revenue

As discussed in note 2, the Group treats a number of contractual promises as single performance obligations since they are not capable of being distinct. Within continuing operations this applied to £1.3m of revenue recognised in 2019 (2018: £4.0m). Management must apply judgement in making this assessment which has the impact of changing the timing at which revenue is recognised. Furthermore, where performance obligations are recognised over time management have assessed that the most appropriate method is to apportion the revenue evenly over the duration of the agreement since this best represents the timing of the transfer of the benefits to the customer.

Where management have reviewed an agreement and consider that it contains multiple performance obligations the total transaction price is allocated to each performance obligation, this allocation may be different to amounts specified in a contract. Where possible this allocation is made with reference to separate selling prices. This estimate impacts the timing of recognition of revenue for these agreements.

Notes to the Financial Statements (continued)

In instances where further agreements are made with a customer, or changes to existing agreements are made, management must apply judgement in determining if the changes are distinct and therefore represent a new contract or instead, a contract amendment. The outcome of this judgement results in the additional revenues either being recognised entirely prospectively or retrospectively from the start of the existing agreement.

Estimate and judgement: Provisions

The Group is aware of a number of legal and regulatory matters which, by their nature, are subject to significant judgement and uncertainty. This includes judgements around both the quantum of any related cash outflows and also the timing. The judgements are specific to the facts surrounding each case and often involve historical transactions. All such matters are periodically assessed with the assistance of external professional advisers, where appropriate, to determine the likelihood of the Group incurring a liability and to evaluate the extent to which a reliable estimate of any liability can be made.

At 31 December 2019 the Group was the subject of a Serious Fraud Office ("SFO") investigation and was aware of a potential group litigation against the Group. In particular, The outcome of SFO investigations can in certain circumstances be the imposition of unlimited penalties by the court. Both of these items were subject to a number of significant uncertainties and which could not be estimated reliably. Accordingly, no provision has been made in respect of these matters. Since the Group is able to reliably estimate a range of likely outcomes in respect of the legal fees for these items, these have been provided against, although the ultimate amount incurred could be more or less than the amount provided. On 27 April 2020, the SFO informed the Company it will not be prosecuted for criminal offences in respect of those matters which were the subject of the investigation. Further detail is provided in notes 23 and 31.

Judgement: Classification of underlying and non-underlying results

Management is required to exercise its judgement in the classification of certain items as exceptional and outside of the Group's underlying results. The determination of whether an item should be separately disclosed as an exceptional item or other adjustments requires judgement on its nature and incidence, as well as whether it provides clarity on the Group's underlying trading performance. In exercising this judgement, Management take appropriate regard of IAS 1 "Presentation of financial statements" as well as guidance issued by the Financial Reporting Council and the European Securities and Markets Authority on the reporting of exceptional items and Alternative Performance Measures.

Judgement: Identifying performance obligations within contracts with customers

The Group must identify the performance obligations within its contracts against which revenue is subsequently recognised. Judgement is applied in determining if the related good or service is capable of being distinct or if it is distinct in the context of the contract. In particular, this applies to telematics services and devices and one-off fees in relation to licences.

It is managements' judgement that the telematics device and the related service represent a single performance obligation delivered over time and the set-up fees with the related license represent a single performance obligation recognised over time.

The consequence of this judgement is to spread revenues relating to elements of the contract over longer periods than if the goods and services were deemed to be separate performance obligations.

Estimate and judgement: Leases

IFRS 16, 'Leases' requires judgements to be made regarding the expected term of lease agreements, such as the likelihood of lease extension options or break clauses being taken. Periods after break clauses are only included in the lease liability where at the balance sheet date it is reasonably certain they won't be exercised. Similarly, it is assumed renewal options will be taken where there it is reasonably certain they will be. The consequence of this can materially impact the carrying value of lease assets and liabilities with a corresponding subsequent impact upon interest and depreciation expenses. The total impact of this assumption upon transition was £3.9m. Further details regarding the policy are provided in note 3.

5. Key performance indicators

	2019	2018
Year ended 31 December	**£000**	£000
Revenue:		
ingenie	**7,342**	7,841
Total underlying revenue	**7,342**	7,841
Underlying gross profit margin	**26.9%**	44.2%
Underlying EBITDA (note 6)	**(5,501)**	(5,446)
Underlying Group operating loss (note 6)	**(6,108)**	(5,646)
Cash and term deposits (continuing businesses)	**71,611**	50,113
Basic loss (pence per share)	**(12.6)**	(11.1)

Reconciliation of Alternative Performance Measures to nearest GAAP equivalents

	2019	2018
	£000	£000
Underlying revenue	**7,342**	7,841
Non underlying revenue	**–**	–
Total revenue	**7,342**	7,841
Underlying EBITDA	**(5,501)**	(5,439)
Underlying depreciation and amortisation*	**(607)**	(207)
Underlying group operating loss	**(6,108)**	(5,646)
Non-underlying group operating loss	**(651)**	(13,338)
Group operating loss	**(6,759)**	(18,984)

* Excludes depreciation of telematics devices of £782,000 (2018: £1,497,000) which is included within cost of sales and is therefore also included within underlying EBITDA. The depreciation of telematics devices is included within cost of sales since they directly generate revenue for the business and are therefore included in gross margin.

Further detail regarding non-underlying results is provided in note 8.

Notes to the Financial Statements (continued)

6. Business and geographical segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the Board). The Group historically operated two segments, being Healthcare Services and ingenie.

During the year ended 31 December 2019, Healthcare Services was classified as discontinued and therefore no longer forms a reportable segment. The continuing business at 31 December 2019 consequently represents a single division, ingenie supported by a Group cost centre ("Central" below). The principal activities of ingenie is telematics based insurance broking and technology solutions provider. Central is a cost centre carrying the administrative expenses of running the Group.

Segment information is presented below. The accounting policies of the operating segment are the same as the Group's accounting policies described in note 2. A reconciliation of alternative performance measure to nearest GAAP equivalents is presented in note 5.

	ingenie	**Central**	**Total**
Year ended 31 December 2019	**£000**	**£000**	**£000**
Underlying revenue	**7,342**	**–**	**7,342**
Underlying cost of sales	**(5,366)**	**–**	**(5,366)**
Underlying gross profit	**1,976**	**–**	**1,976**
Underlying administrative expenses excluding depreciation and amortisation*	**(4,566)**	**(2,911)**	**(7,477)**
Underlying EBITDA	**(2,590)**	**(2,911)**	**(5,501)**
Depreciation and amortisation*			**(607)**
Underlying Group operating loss			**(6,108)**
Net finance income			**130**
Underlying Group loss before tax			**(5,978)**
Non-underlying adjustments			**(651)**
Total Group loss before tax from continuing operations			**(6,629)**

	ingenie	Central	Total
Year ended 31 December 2018	£000	£000	£000
Underlying revenue	7,841	–	7,841
Underlying cost of sales	(4,375)	–	(4,375)
Underlying gross profit	3,466	–	3,466
Underlying administrative expenses excluding depreciation and amortisation*	(5,391)	(3,514)	(8,905)
Underlying EBITDA	(1,925)	(3,514)	(5,439)
Depreciation and amortisation*			(207)
Underlying Group operating loss			(5,646)
Net finance income			374
Underlying Group loss before tax			(5,272)
Non-underlying adjustments			(13,338)
Total Group loss before tax from continuing operations			(18,610)

* Depreciation added back above when calculating Underlying EBITDA from continuing operations excludes depreciation on telematics devices of £782,000 (2018: £1,497,000) which is included within cost of sales. The depreciation of telematics devices is included within cost of sales since they directly generate revenue for the business and are therefore included in gross margin.

	ingenie	Central	Total
Year ended 31 December 2019	**£000**	**£000**	**£000**
Performance obligations met at a point in time	**4,520**	**–**	**4,520**
Performance obligations met over time	**2,822**	**–**	**2,822**
Total underlying revenue	**7,342**	**–**	**7,342**

	ingenie	Central	Total
Year ended 31 December 2018	£000	£000	£000
Performance obligations met at a point in time	4,040	–	4,040
Performance obligations met over time	3,801	–	3,801
Total underlying revenue	7,841	–	7,841

Revenue by type is set out below:

	2019	2018
Year ended 31 December	**£000**	£000
Telematics services and devices	**1,387**	2,869
Broking commissions and fees	**4,420**	4,040
Initial licence fees and SaaS	**1,535**	932
Total underlying revenue	**7,342**	7,841

	United Kingdom	Canada	Rest of World	Total
Year ended 31 December 2019	**£000**	**£000**	**£000**	**£000**
Revenue (underlying)	**7,342**	**–**	**–**	**7,342**
Other segment information				
Total non-current assets	**1,725**	**–**	**–**	**1,725**
Capital expenditure				
Tangible assets	**1,264**	**4,468**	**–**	**5,732**
Intangible assets	**536**	**283**	**–**	**819**

	United Kingdom	Canada	Rest of World	Total
Year ended 31 December 2018	£000	£000	£000	£000
Revenue (underlying)	7,841	–	–	7,841
Other segment information				
Total non-current assets	2,254	11,977	–	14,231
Capital expenditure				
Tangible assets	1,147	264	–	1,411
Intangible assets	297	773	–	1,070

Notes to the Financial Statements (continued)

7. Operating loss

The operating loss for the year is stated after charging/(crediting):

	2019	2018
	£000	£000
Depreciation of property, plant and equipment	**1,188**	1,597
Amortisation of intangible assets	**601**	708
Net foreign exchange loss	**157**	2
Auditor's remuneration	**284**	367
Unused provisions released	**(2,837)**	(1,912)
Staff costs, continuing business (note 9)	**5,049**	4,152

Depreciation of £782,000 (2018: £1,497,000) relates to telematics devices which is included within cost of sales.

The analysis of Auditor's remuneration for continuing and discontinued operations is as follows:

	2019	2018
	£000	£000
Fees payable to the Company's Auditor and its associates for the audit of the Parent Company and Consolidated Financial Statements	**55**	153
Fees payable to the Company's Auditor and its associates for other services:		
– Additional amounts in relation to the prior year audit	**45**	25
– The audit of the Company's subsidiaries	**146**	121
– Audit-related services	**–**	35
– Other assurance services	**9**	23
– Taxation compliance services	**29**	10
	284	367

8. Non-underlying results

Non-underlying administrative expenses are analysed as follows:

Year ended 31 December	**2019** **£000**	2018 £000
Exceptional items:		
– Legal expenses	**1,554**	5,688
– Legal settlements	**(1,026)**	(160)
– Tax related matters	**–**	(1,612)
– Net impairments of non-cash assets	**–**	9,148
– Restructuring	**123**	(251)
Total exceptional items	**651**	12,813
Other adjustments:		
– Amortisation of acquired intangibles	**–**	525
Total other adjustments	**–**	525
Total non-underlying administrative expenses	**651**	13,338

Amortisation represents a non-cash charge relating to acquisition accounting and is not taken into account by management when reviewing operational performance of the Group.

The legal expense includes £3,701,000 of additional legal fee provisions in respect of legal claims, £3,412,000 of which was utilised during the year in achieving settlement with S&G. The settlement resulted in £2,797,000 of provision releases which are netted off of the expense, further details are provided in note 23.

The legal settlement credit of £1,026,000 relates to a settlement with former management for which further details are provided in note 33.

The credit for the period ended 31 December 2018 of £160,000 includes credits of £1,328,000, being two settlements with former management as discussed in note 33. This is partially offset by an expense of £1,168,000, also relating to a settlement with former management as discussed in note 33.

Tax related matters in 2018 mainly comprises the release of unused provisions which were created in previous periods, further details are provided in note 23.

The restructuring expense of £123,000 is stated after taking into account the release of unused provisions of £211,000.

Net impairments of non-cash assets above relates to:

Year ended 31 December	**2019** **£000**	2018 £000
Goodwill	**–**	9,081
Other intangible assets	**–**	317
Investments	**–**	(250)
	–	9,148

Notes to the Financial Statements (continued)

9. Employee numbers and staff costs

The average number of employees during the year including executive Directors for both continuing and discontinued operations was as follows:

	2019	2018
	Number	Number
Front office technology, consulting and outsourcing	**650**	680
Back office management and administration	**20**	14
	670	694

The remuneration of the executive and Non-executive Directors was as follows:

	2019	2018
	£000	£000
Emoluments	**1,736**	1,838
Compensation for loss of office	**220**	–

The emoluments of the highest paid Director were £1,164,000 (2018: £1,080,000). Two Directors received a total of £13,000 (2018: two Directors a total of £17,000) in connection with contributions to pension schemes. Further details are provided in the Directors' Remuneration Report and in particular the tables on pages 15 and 16 form part of this note to the Financial Statements.

Total employee costs for both continuing and discontinued operations were as follows:

	2019	2018
	£000	£000
Wages and salaries	**25,878**	23,900
Social security costs	**1,929**	1,545
Pension costs	**217**	201
	28,024	25,646

Included in the total above are £536,000 (2018: £388,000) of salaries which were capitalised during the year in relation to software development.

10. Net finance income

Continuing operations:

	2019	2018
Year ended 31 December	£000	£000
Bank interest receivable	389	355
Total interest receivable	389	355
Foreign exchange loss on intercompany loans	(73)	–
Other interest payable	(186)	19
Total interest payable	(259)	19
Net finance income	**130**	374

The 2018 credit within other interest payable relates to the release of an over accrual of interest at 31 December 2017 in relation to tax balances due.

11. Taxation

Continuing operations:

	2019	2018
Year ended 31 December	£000	£000
The taxation credit comprises:		
Current tax:		
– Current year	(3)	–
– Adjustments in respect of prior years	(178)	–
Total current tax credit	(181)	–
Deferred tax expense:		
– Origination and reversal of temporary differences	77	(167)
– Adjustments in respect of prior year	(77)	–
Deferred tax credit	–	(167)
Total tax credit	**(181)**	(167)

Notes to the Financial Statements (continued)

Income tax for the UK is calculated at the standard rate of UK corporation tax of 19.0% (2018: 19.0%) on the estimated assessable profit for the year. The total charge for the year can be reconciled to the accounting profit as follows:

	2019	2018
	£000	£000
Loss on before tax from continuing operations	(6,629)	(18,610)
Tax at 19.0% (2018: 19.0%) thereon	(1,259)	(3,536)
Effect of:		
Expenses not deductible for tax purposes	608	944
Unrecognised deferred tax on losses and fixed assets	1,102	661
Movement on provisions and movement on impairments	(374)	–
Impairment of goodwill	–	1,764
Effect of lower tax rate overseas	(3)	–
Taxable degrouping charge	–	–
Adjustments to tax charge in respect of prior periods	(255)	–
Total tax credit for the year	**(181)**	(167)

Deferred tax assets are recognised for tax losses available for carrying forward to the extent that the realisation of the related benefit through future taxable profits is probable.

Deferred tax assets are recognised for tax losses available for carrying forward to the extent that the realisation of the related benefit through future taxable profits is probable. The total amount of intangibles that is expected to be deductible for tax for continuing business is £725,000 (2018: £975,0000). At the Statement of Financial Position date, there are unrecognised deferred tax assets of £9,175,000 (2018: £11,700,000).

Factors affecting future tax charges

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax liability at 31 December 2019 has been calculated based on these rates.

12. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

For diluted earnings per share the weighted average number of ordinary shares is adjusted to assume conversion of all dilutive potential ordinary shares where, on warrants or options, exercise price is less than the average market price of the Company's ordinary shares during the year.

The calculation of the basic and diluted earnings per share is based on the following data. The underlying profit for the year and resultant underlying earnings per share is used by the Directors as a measure of the underlying performance of the business:

	2019	2018
	£000	£000
Profit/(loss) attributable to ordinary shareholders[a]	**30,869**	(18,904)
Less: Net (profit)/loss from discontinued operations (including profit on disposal from discontinued operations) attributable to ordinary shareholders[d]	**(37,317)**	461
Loss attributable to ordinary shareholders from continuing activities[b]:	**(6,448)**	(18,443)
Other adjustments in respect of non-underlying results:		
– Non-recurring administrative expenses (net of tax)	**648**	13,338
Underlying loss attributable to ordinary shareholders[c]	**(5,800)**	(5,105)
Basic weighted average number of shares	**46,038,333**	46,038,333
Dilutive potential ordinary shares	**–**	–
Diluted weighted average number of shares	**46,038,333**	46,038,333

Due to their anti-dilutive effect in 2018, options which could potentially be exercised after the balance sheet date have not been included in the calculation of diluted earnings per share and underlying diluted earnings per share in 2018. There are no potentially exercisable options at 31 December 2019.

	2019	**2018**
	Pence	**Pence**
(a) Profit/(loss) per share (pence):		
– Basic	**67.1**	(41.1)
– Diluted	**67.1**	(41.1)
(b) Loss per share from continuing operations (pence):		
– Basic	**(14.0)**	(40.1)
– Diluted	**(14.0)**	(40.1)
(c) Underlying loss per share (pence):		
– Basic	**(12.6)**	(11.1)
– Diluted	**(12.6)**	(11.1)
(d) Earnings per share from discontinued operations (pence):		
– Basic	**81.1**	(1.0)
– Diluted	**81.1**	(1.0)

Notes to the Financial Statements (continued)

13. Intangible assets

	Note	2019 £000	2018 £000
Other intangible assets		**819**	3,144
Goodwill	14	**–**	8,157
		819	11,301

The movement in other intangible assets was as follows:

	Customer contracts, data, brands and relationships £000	IPR, software and licences £000	Total £000
Cost			
At 1 January 2018	6,389	7,934	14,323
Additions – purchased	–	497	497
Additions – internally generated	–	560	560
Disposals	–	(2,212)	(2,212)
Exchange differences	(57)	(130)	(187)
At 1 January 2019	**6,332**	**6,649**	**12,981**
Additions – purchased	**–**	**80**	**80**
Transfer to contract assets	**–**	**(254)**	**(254)**
Additions – internally generated	**–**	**739**	**739**
Disposals	**–**	**(6)**	**(6)**
Exchange differences	**26**	**43**	**69**
Transfer to assets held for sale	**(3,558)**	**(4,397)**	**(7,955)**
At 31 December 2019	**2,800**	**2,854**	**5,654**
Amortisation			
At 1 January 2018	4,999	4,499	9,498
Charge for the year	983	1,315	2,298
Disposals	–	(2,161)	(2,161)
Impairments	–	317	317
Exchange differences	(43)	(72)	(115)
At 1 January 2019	**5,939**	**3,898**	**9,837**
Charge for the year	**151**	**1,398**	**1,549**
Disposals	**–**	**(6)**	**(6)**
Exchange differences	**19**	**8**	**27**
Transfer to assets held for sale	**(3,309)**	**(3,263)**	**(6,572)**
At 31 December 209	**2,800**	**2,035**	**4,835**
Net book value			
31 December 2019	**–**	**819**	**819**
31 December 2018	393	2,751	3,144

Brands are included within customer contracts, data, brands and relationships. The carrying value of brands at 1 January 2019 was £nil (2018: £nil) with amortisation charged in the year of £nil (2018: £525,000). The carrying value at 31 December 2019 was £nil (2018: £nil).

All of these assets are recognised at fair value at acquisition or cost to purchase and are amortised over their estimated useful lives. Fair values of acquired intangible fixed assets have been assessed by reference to the future estimated cash flows arising from the application of assets, discounted at an appropriate rate to present value, or by reference to the amount that would have been paid in an arm's length transaction between knowledgeable and willing parties. The amortisation charge is included within administrative expenses.

Amortisation relating to discontinued activities during the year ended 31 December 2019 was £1,348,000 (2018: £1,590,000).

During the year ended 31 December 2019, certain items within intangible assets totalling £254,000 were identified as being more appropriately classified as contract assets. They were therefore transferred within the year.

14. Goodwill

The movement in goodwill is as follows:

	Goodwill
	£000
Cost	
At 1 January 2018	96,989
Exchange differences	(926)
At 1 January 2019	**96,063**
Exchange differences	**415**
Transfer to assets held for sale	**(37,328)**
At 31 December 2019	**59,150**
Impairment	
At 1 January 2018	79,546
Charge	9,081
Exchange differences	(721)
At 1 January 2019	**87,906**
Exchange differences	**323**
Transfer to assets held for sale	**(29,079)**
At 31 December 2019	**59,150**
Net book value	
31 December 2019	**–**
31 December 2018	8,157

Movement in goodwill by CGU

The movement in goodwill by CGU is as follows:

	2018	Foreign exchange movements	Transfer to assets held for sale	2019
	£000	£000	£000	£000
ingenie	–	–	–	–
Healthcare Services	8,157	92	(8,249)	–
Total	**8,157**	**92**	**(8,249)**	**–**

Notes to the Financial Statements (continued)

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

At 31 December 2019, goodwill relating to Healthcare Services was included within assets held for sale. This was assessed as being fully recoverable based upon the pending disposal of the business at a surplus over the carrying value of the net assets. The disposal was subsequently completed in February 2020.

At 31 December 2018, the recoverable amount of goodwill for was determined based upon its Value in Use, using a discounted cash flow ("DCF") appraisal based on explicit forecast periods of 3 years to reflect the maturity of the business and/or markets in which it they operate in. External market data was used where possible and the Group also drew upon data used in its annual planning cycle, with reference to other market participants. In particular changes in revenues and pre-tax discount rate were 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.

2018	ingenie	Healthcare Services
Long term growth rate	2%	2%
DCF appraisal period	3 years	3 years
Annualised revenue growth over DCF appraisal period	20%	5%
Pre-tax discount rate	14%	9%

Annualised revenue growth rates vary by operating division depending on the current development to maturity of the CGU. In determining the applicable discount rate, management applied judgement in respect of several factors, including, inter alia, assessing the risk attached to future cash flows. Pre-tax discount rates were assessed for each CGU.

The goodwill of ingenie was fully impaired at 31 December 2018.

15. Property, plant and equipment

	Freehold land and buildings	Right of use assets	Leasehold land and buildings	Plant and equipment	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2018	479	–	3,107	14,080	17,666
Additions	–	–	170	1,241	1,411
Disposals	(169)	–	(112)	(8,026)	(8,307)
Exchange differences	(11)	–	(76)	(63)	(150)
At 1 January 2019	**299**	**–**	**3,089**	**7,232**	**10,620**
Adoption of IFRS 16 (note 3)	**–**	**15,398**	**–**	**–**	**15,398**
Additions	**14**	**–**	**1,227**	**1,382**	**2,623**
Disposals	**–**	**–**	**(616)**	**(3,576)**	**(4,192)**
Transfer to assets held for sale	**(316)**	**(15,571)**	**(3,031)**	**(3,267)**	**(22,185)**
Exchange differences	**3**	**174**	**(326)**	**38**	**(111)**
At 31 December 2019	**–**	**1**	**343**	**1,809**	**2,153**
Depreciation					
At 1 January 2018	229	–	1,971	11,647	13,847
Charge for the year	10	–	332	1,688	2,030
Disposals	(143)	–	–	(6,868)	(7,011)
Exchange differences	(5)	–	(50)	(45)	(100)
At 1 January 2019	**91**	**–**	**2,253**	**6,422**	**8,766**
Charge for the year	**10**	**2,246**	**447**	**977**	**3,680**
Disposals	**–**	**–**	**(316)**	**(3,181)**	**(3,497)**
Transfer to assets held for sale	**(102)**	**(2,219)**	**(2,069)**	**(3,090)**	**(7,480)**
Exchange differences	**1**	**(27)**	**28**	**36**	**38**
At 31 December 2019	**–**	**–**	**343**	**1,164**	**1,507**
Net book value					
31 December 2019	**–**	**1**	**–**	**645**	**646**
31 December 2018	208	–	836	810	1,854

There were no material commitments for the acquisition of property, plant or equipment at either 31 December 2019 or 31 December 2018. Depreciation of £2,508,000 (2018: £nil) was charged in the year on assets of the disposal groups prior to being classified as held for sale.

Right of use assets relate to land and buildings.

Telematics devices which are included as part of the services to end users were held with a net book value of £653,000 (2018: £528,000) on which depreciation of £782,000 (2018: £1,497,000) was charged in the year. The depreciation on these devices is included within Cost of Sales.

Notes to the Financial Statements (continued)

16. Investments

	Fair value degree observable	2019	2018
		£000	£000
Investments carried at fair value	Level 3	**–**	–

In note 29, a definition is given to record the degree to which fair values are observable. These are grouped into three levels: Level 1, Level 2 and Level 3. Where fair value calculations have been performed for investments, the level is disclosed above under "fair value degree observable". The fair value degree represents unobservable inputs as they are based on unquoted entities – as listed in note 39.

	Shares in investments
	£000
Cost	
At 1 January 2018	4,348
Disposals	(222)
Exchange differences	197
At 1 January 2019	**4,323**
At 31 December 2019	**4,323**
Impairment	
At 1 January 2018	4,348
Disposals	(222)
Exchange differences	197
At 1 January 2019	**4,323**
At 31 December 2019	**4,323**
Net book value	
31 December 2019	**–**
31 December 2018	–

Details of the fixed asset investment of the Group and of subsidiary undertakings are provided in note 39.

The fair value of investments was assessed on net present value of cash flows or sales value less cost of sale and fall within Level 3 of the fair value hierarchy. These investments were impaired due to uncertainty over obtaining any future value in the investment.

Uncertainty remains over the future value of these investments and hence both will continue to be held at £nil net book value unless greater certainty is evident.

17. Inventories

	2019	2018
	£000	£000
Finished goods for resale	–	270
Telematics devices held pending fitting	435	490
	435	760

There is no material difference between the book value and the replacement cost of the inventories shown.

Telematics devices are taken to tangible fixed assets upon fitting to end user vehicles.

18. Trade and other receivables

	2019	2018
	£000	£000
Trade receivables (net of impairment provision)	244	2,982
Other receivables	1,931	1,530
Prepayments	602	598
	2,777	5,110

At both 31 December 2019 and 2018, the Directors consider that the net carrying amount of trade receivables approximates to their fair value. Further disclosures concerning trade receivables are given in note 29.

19. Term deposits

Term deposits represent cash which has been invested into short term (less than six months) fixed interest bearing instruments with a major UK bank.

	2019	2018
	£000	£000
Term deposits	15,000	40,000
	15,000	40,000

20. Cash and cash equivalents

Cash and cash equivalents comprise the following for the purposes of the cash flow statement:

	2019	2018
	£000	£000
Cash	56,611	10,113
	56,611	10,113
Amounts classified as held for sale		
Cash	565	–
	57,176	10,113

Cash and cash equivalents comprise cash held by the Group. The carrying amount of these assets approximates to their fair value.

Notes to the Financial Statements (continued)

21. Trade and other payables

	2019 £000	2018 £000
Current liabilities		
Trade payables	**729**	1,262
Payroll and other taxes including social security	**84**	177
Accruals	**2,003**	4,973
Contract liabilities	**1,453**	1,685
Other liabilities	**450**	104
	4,719	8,201

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amount of trade payables approximates to their fair value.

During 2019, £772,000 of revenue was recognised which was included within contract liabilities at 31 December 2019. (2018: £2,062,000)

Included within Other Liabilities are right of use lease liabilities arising from the adoption of IFRS 16, 'Leases'. Further details of the transition are provided in note 3.

The movement in lease liabilities is as follows:

	£000
31 December 2018	**–**
Adoption of IFRS 16	**15,398**
Interest	**781**
Payments	**(2,375)**
Foreign exchange	**187**
Transfer to discontinued operations	**(13,990)**
31 December 2019	**1**

The lease liability has been calculated using an incremental borrowing rate of 5%. The lease liability upon adoption of IFRS 16 on 1 January 2019 reconciles to the IAS 17 operating lease commitment at 31 December 2018 as follows:

	£000
Operating lease commitment under IAS 17 at 31 December 2018	**16,789**
Impact of renewal options	**3,897**
Less future interest payments	**(5,288)**
1 January 2019	**15,398**

22. Borrowings

	2019	2018
	£000	£000
Current		
Cumulative redeemable preference shares	–	2,209
	–	2,209
Non-current liabilities		
Cumulative redeemable preference shares	–	1,278
	–	1,278
Total	–	3,487

	2019	2018
	£000	£000
The borrowings are repayable as follows:		
– On demand or within one year	–	2,209
– In the second to fifth years inclusive	–	1,278
	–	3,487
Less: Amount due for settlement within 12 months (shown under current liabilities)	–	(2,209)
Amount due for settlement after 12 months	–	1,278

In note 29, an explanation is given to show the degree to which fair values are observable. These are grouped into three levels: Level 1, Level 2 and Level 3.

	Fair value degree observable	**2019**	2018
		£000	£000
Liabilities:			
Cumulative redeemable preference shares	Level 3	–	3,487

The fair value degree represents unobservable inputs as they are based on internal valuation techniques. The key variable components and assumptions within this model include the discount rate, the effective internal rate of return, the redemption profile and timing and dividend payments. The sensitivity to the unobservable inputs is not considered significant as the impact of this fair value valuation is insignificant in the Consolidated Income Statement.

The weighted average interest rates paid for continuing operations were as follows:

	2019	2018
	%	%
Cumulative redeemable preference shares	–	–

The Directors estimate the fair value of the Group’s borrowings as follows:

	2019	2018
	£000	£000
Cumulative redeemable preference shares	–	3,487
	–	3,487

The Group has no committed undrawn borrowing facilities.

Notes to the Financial Statements (continued)

23. Provisions

	Tax related matters	Legal disputes	Onerous contracts	Other	Total
	£000	£000	£000	£000	£000
At 1 January 2018	3,193	7,442	492	1,984	13,111
Additional provisions	–	3,752	–	430	4,182
Unused amounts released	(1,493)	(96)	(156)	(167)	(1,912)
Used during the year	–	(2,891)	(272)	(836)	(3,999)
Exchange movements	–	–	23	(1)	22
At 1 January 2019	**1,700**	**8,207**	**87**	**1,410**	**11,404**
Additional provisions	**–**	**3,701**	**47**	**409**	**4,157**
Unused amounts released	**(1,700)**	**(127)**	**–**	**(1,010)**	**(2,837)**
Used during the year	**–**	**(7,978)**	**(48)**	**(534)**	**(8,560)**
Exchange movements	**–**	**–**	**2**	**–**	**2**
At 31 December 2019	**–**	**3,803**	**88**	**275**	**4,166**
Split:					
Non-current	–	–	19	–	19
Current	–	3,803	69	275	4,147

Tax related matters

A provision for tax-related matters had been established in previous years with respect to judgemental tax positions primarily in relation to historical PAYE and VAT issues. During the year ended 31 December 2018, the outstanding PAYE issues were resolved and resulted in £693,000 of provision being released to the income statement. Further information also become available during the year allowing an improved estimate to be made of the liability, resulting in £800,000 of the provision being released to the income statement.

As part of the settlement announced on 19 October 2019 with S&G (see note 32), S&G assumed the liability for historical disputed VAT amounts against which S&G had previously been indemnified for by the Group in respect of the disposal of the PSD. Consequently, the remaining provision was reversed.

Legal disputes and regulatory matters

In legal cases where the Group is (or would be) the defendant, such as those set out in note 31, defence costs are provided as the Group is committed to defending the actions. Such costs are provided for at the mid-range of possible eventualities given the uncertainty of the outcome, this range is reassessed on a continuous basis. If the Group is successful in defending such actions, then the final costs may be lower than the total provision recognised above. Additional provisions and amounts used during the year in the table above primarily relate to higher than expected legal costs in the defence of the claim from S&G settled during the year.

The remaining provision at 31 December 2019 represents the costs of additional legal fees in respect of the Group's defence against any proposed class action and in respect of the ongoing investigation by the SFO (albeit the Company has been informed it will not be prosecuted and is not a suspect in the investigation). Further details are provided in note 31. The provisions will be utilised further as the matters progress.

In legal cases where the Group is the claimant (or counter claimant), costs are not provided as there is no obligation to proceed and the Group is not contractually committed to incur costs.

Onerous contracts

Where contracted income is expected to be less than the related expected expenditure the difference is provided in full. At 31 December 2018 the provision related exclusively to the maximum exposure remaining under a single onerous property lease, the timing of which may be reliably determined. During the year ended 31 December 2019 a further, non-property contract has been identified as onerous and has been provided for in full. The latter item is expected to be resolved during the next twelve months.

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. These primarily relate to policy cancellations which are based upon historic experience within the business and is limited to one year from policy inception. Additional amounts relate to commission clawback within non-underlying businesses and warranties provided by the Group. Unused amounts reversed and amounts used represents the result of legal settlements for less than the amount provided at 31 December 2018. The majority of the remaining balance relating to non-underlying businesses at 31 December 2019 was settled in January 2020.

24. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior year.

	Accelerated capital allowances	Provisions and other temporary timing differences	Total
	£000	£000	£000
At 1 January 2018	167	–	167
Credit to Income Statement	(66)	(100)	(166)
At 1 January 2019	**101**	**(100)**	**1**
Credit to Income Statement	**(70)**	**70**	**–**
At 31 December 2019	**31**	**(30)**	**1**

	2019	2018
	£000	£000
Deferred tax liabilities	**1**	1
	1	1

At the Statement of Financial Position date, there are unrecognised deferred tax assets of £9,175,000 (2018: £11,700,000).

Notes to the Financial Statements (continued)

25. Share capital

	Number	Nominal value fully paid	Nominal value unpaid	Nominal value total
	'000	£000	£000	£000
At 1 January 2019 and 31 December 2019	**46,038**	**4,593**	**11**	**4,604**

The Company has one class of ordinary shares of 10 pence each which carry no right to fixed income.

Share-based payments – options

The Group has previously issued options, which are equity settled share based payments. Generally, these options vest in equal annual or 6-monthly tranches if the performance criteria for each option holder, which includes reference to the Group's upper targets for adjusted earnings per share, has been met for that year.

The Group had no options outstanding as at 31 December 2019:

			2019	2018
Grant Date	Exercise Price (Pence)	Expiry Date	Number	Number
21 November 2013	1,500	30 June 2019	–	219,721
21 November 2013	1,500	30 June 2019	–	117,960
21 November 2013	1,500	30 June 2019	–	10,417
20 June 2014	1,500	30 June 2019	–	100,000
			–	448,098

Details of the movement in options outstanding are as follows:

	2019	2019 WAEP	2018	2018 WAEP
	Number	**Pence**	Number	Pence
Outstanding at the beginning of the year	**448,098**	**1,500**	448,098	1,500
Expired	**(448,098)**	**(1,500)**	–	–
Outstanding at the end of the year	**–**	**–**	448,098	1,500
Exercisable at the end of the year:				
Issued at 1,500 pence	**–**	**–**	448,098	1,500
	–	**–**	448,098	1,500

As of 31 December 2019, the weighted-average remaining contractual life of the options outstanding is nil (2018: 0.5 years) and the weighted-average exercise price was nil (2018: 1,500 pence).

26. Reserves

	2019	2018
	£000	£000
Share premium account	**127,251**	127,251
Reverse acquisition and merger reserve	**(10,024)**	(10,024)
Other equity reserves	**22,988**	23,316
Foreign currency translation reserve	**(2,729)**	(2,716)
Total other reserves	**137,486**	137,827
Retained earnings	**(64,905)**	(96,288)
Non-controlling interests	**507**	661

The reverse acquisition and merger reserve represents the fair value of the share consideration over and above the share's nominal value of 10 pence per share for those shares issued as consideration for acquisitions that take the Group's ownership of the acquired entity above 90%.

The consolidated Group accounts show the reverse acquisition and merger reserve net of the reverse acquisition reserve of £10,842,000 created on the reverse acquisition of Quindell Limited by Mission Capital plc (now Watchstone Group plc), which occurred in 2011. In the transaction, the Company remains the legal parent and therefore the Company accounts show the gross position of the reverse acquisition reserve.

The fair value of the share consideration over and above the share's nominal value of 10 pence per share for all other shares issued by the Company is included in the share premium reserve. In addition, directly attributable costs incurred in the issuing of shares are also recognised in the share premium reserve.

Notes to the Financial Statements (continued)

Other equity reserves comprise:

	Equity reserve	Share-based payments	Share consideration reserve	Total other equity reserves
	£000	£000	£000	£000
At 1 January 2018	54	328	22,934	23,316
At 1 January 2019	**54**	**328**	**22,934**	**23,316**
Expiration of share options (note 25)	**–**	**(328)**	**–**	**(328)**
At 31 December 2019	**54**	**–**	**22,934**	**22,988**

Share consideration reserve

The share consideration reserve represents the difference between the fair value of share consideration versus the value of the non-controlling interest acquired.

Share-based payment reserve

The share-based payment reserve is increased to reflect the fair value to the Group of share-based payment transactions, with the reserve being reduced when shares are issued or when options expire.

27. Cash flow from operating activities

	2019	2018
	£000	£000
Profit/(loss) after tax	**30,894**	(18,904)
Tax	**(165)**	(172)
Net finance expense/(income)	**736**	(354)
Operating profit/(loss)	**31,465**	(19,430)
Adjustments for:		
– Non underlying cash out flows excluding discontinued operations	**(32,616)**	6,834
– Share-based payments	**–**	–
– Depreciation of property, plant and equipment	**3,697**	2,030
– Amortisation of intangible assets	**1,550**	2,298
– Impairment of goodwill	**–**	9,081
– Impairment of other intangible assets	**–**	317
– Loss on disposal of plant, property and equipment	**679**	1,296
– Loss on disposal of intangibles	**–**	52
– Profit on disposal subsidiary undertakings and operations (note 32)	**–**	(558)
Operating cash flows before movements in working capital and provisions	**4,775**	1,920
– Decrease/(increase) in inventories	**–**	523
– Decrease in trade and other receivables	**484**	929
– Decrease in trade and other payables	**(6,898)**	(5,044)
Cash used by operations before exceptional costs	**(1,639)**	(1,672)

28. Reconciliation of net cash flow to movement in net funds

	1 January	Acquisitions & Disposals	Cash flow movements	Non-cash movements	31 December
	£000	£000	£000	£000	£000
2018					
Cash	22,808	87	(12,833)	51	10,113
Overdrafts and bank loans	–	–	–	–	–
Cash and cash equivalents	22,808	87	(12,833)	51	10,113
Other secured loans > 1 year	–	–	–	–	–
Cumulative redeemable preference shares < 1 year	(2,203)	–	2,454	(2,460)	(2,209)
Cumulative redeemable preference shares > 1 year	(3,795)	–	–	2,517	(1,278)
Finance leases < 1 year	(4)	–	4	–	–
Net funds	16,806	87	(10,375)	108	6,626

	1 January	**Acquisitions**	**Cash flow movements**	**Non-cash movements**	**31 December**
	£000	**£000**	**£000**	**£000**	**£000**
2019					
Cash	**10,113**	**–**	**47,069**	**(571)**	**56,611**
Overdrafts and bank loans	**–**	**–**	**–**	**–**	**–**
Cash and cash equivalents	**10,113**	**–**	**47,069**	**(571)**	**56,611**
Other secured loans > 1 year	**–**	**–**	**–**	**–**	**–**
Cumulative redeemable preference shares < 1 year	**(2,209)**	**–**	**1,832**	**377**	**–**
Cumulative redeemable preference shares > 1 year	**(1,278)**	**–**	**–**	**1,278**	**–**
Net funds	**6,626**	**–**	**48,901**	**1,084**	**56,611**

Notes to the Financial Statements (continued)

29. Financial instruments

(a) Carrying value and fair value

The accounting classification of each class of the Company's financial assets and liabilities, together with their fair values is as follows:

	Financial assets	**Other liabilities**	**Total carrying value**	**Total fair value**
	£000	**£000**	**£000**	**£000**
At 31 December 2019				
Trade and other receivables	**244**	**–**	**244**	**244**
Trade and other payables	**–**	**(813)**	**(813)**	**(813)**
Term deposits	**15,000**	**–**	**15,000**	**15,000**
Cash and cash equivalents	**56,611**	**–**	**56,611**	**56,611**

	Financial assets	Other liabilities	Total carrying value	Total fair value
	£000	£000	£000	£000
At 31 December 2018				
Trade and other receivables	2,982	–	2,982	2,982
Cumulative redeemable preference shares	–	(3,486)	(3,486)	(3,486)
Trade and other payables	–	(1,439)	(1,439)	(1,439)
Term deposits	40,000	–	40,000	40,000
Cash and cash equivalents	10,113	–	10,113	10,113

The fair values of financial assets and liabilities are determined as follows:

(a) The fair value of cash and cash equivalents and term deposits is equivalent to the carrying value due to the short-term nature of those instruments; and

(b) The fair value of other financial assets and liabilities with standard terms and conditions is determined in relation to estimated discounted cash flows to net present values.

Cash and cash equivalents classified as financial assets mainly comprise investments in major UK bank deposits which can be withdrawn without notice. Term deposits represent investments with fixed returns over periods not exceeding six months.

Term deposits and amounts are held with major UK banks.

(b) Fair value hierarchy

The Group's financial instruments which are carried at fair value comprise available for sale investments in unlisted companies. Fair values are measured using inputs that are not based on observable market data and are categorised as Level 3 in the fair value hierarchy.

(c) Financial risk management

The Group's financial instruments comprise cash and liquid resources and various items such as trade debtors and trade creditors that arise from its operations. The main purpose of these financial instruments is to manage the Company's operations. Term deposits are used to generate a return for the Company where the invested cash is not required for the operations of the Company.

Fair value estimation

Certain assets and liabilities, as separately disclosed in these Financial Statements, are carried at fair value. Fair value is determined by a valuation method which is categorised as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, prices) or indirectly (that is, derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

Interest risk and sensitivity

Interest bearing assets consist of cash balances which earn interest at variable rates. The interest achieved on term deposits is fixed at inception and therefore not subject to interest rate risk, although the future available rates may vary when reinvesting maturing deposits. Finance lease arrangements are contracted on fixed rate terms.

An increase of 100 basis points in interest rates at the reporting date would have increased equity and profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	2019	2018
	£000	£000
Variable rate instruments	**–**	–

Liquidity risk

The Group has a sufficient level of liquidity to ensure it has a sufficient level of funding to develop its operations, recognising that it operates in markets which it believes are high growth. Liquidity risks are managed through regular forecasting and reporting of working capital requirements, including conducting sensitivity analysis and growth scenario testing. Surplus funds are maintained in accessible deposits.

The following are the contractual maturities of financial liabilities:

	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**Between 1-5 years**	**Over 5 years**
	£000	**£000**	**£000**	**£000**	**£000**
Non-derivative financial liabilities					
2019					
Cumulative redeemable preference shares	**–**	**–**	**–**	**–**	**–**
Trade and other payables	**813**	**(813)**	**(813)**	**–**	**–**
	813	**(813)**	**(813)**	**–**	**–**

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1-5 years	Over 5 years
	£000	£000	£000	£000	£000
Non-derivative financial liabilities					
2018					
Cumulative redeemable preference shares	3,487	(3,487)	(2,209)	(1,278)	–
Trade and other payables	1,439	(1,439)	(1,439)	–	–
	4,926	(4,926)	(3,648)	(1,278)	–

Notes to the Financial Statements (continued)

Capital risk

The Group defines its capital as the Group's total equity, including non-controlling interests. Its objectives when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to have available the necessary financial resources to allow the Group to invest in other areas that may deliver future benefit and to maintain sufficient financial resources to mitigate risks and unforeseen events, without need to raise further equity from shareholders. The Group will manage its capital base to source any future investment requirement from working capital realisation or other cash inflows and the proceeds from realisation of assets. It will use its planning cycle to manage capital risk, including conducting sensitivity and scenario testing on forecast capital and in assessing any new investment expenditure.

Credit risk

The Group is not subject to significant concentration of credit risk in respect of end customers however ingenie contracts with a single supplier who provides credit to these customers. As such, ingenie is exposed to credit risk in respect of this supplier. The credit quality of the Group's trade receivables is considered by management to be good as the exposure to a concentration of debt from a small number of individual end customers is low though a prolonged COVID-19 pandemic may increase this risk. Further information is given in the Financial Review in relation to areas of cash and debtor management. No interest is charged on the receivables balances. The Group does not hold any collateral or other credit enhancements over these balances nor has the legal right of offset with any amounts owed by the Group to the receivables counterparty.

The Group holds significant deposits which are spread across UK regulated banks with higher credit ratings.

The carrying amounts of borrowings are denominated in the following currencies:

	2019	2018
	£000	£000
Canadian Dollar	**–**	3,487
	–	3,487

The carrying amount of financial assets represents the maximum credit exposure. At the reporting date, the principal financial assets were:

		2019	2018
	Note	**£000**	£000
Non-derivative financial assets			
Trade receivables	18	**244**	2,982
Term deposits	19	**15,000**	40,000
Cash and cash equivalents	20	**56,611**	10,113
		71,855	53,095

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2019	2018
	£000	£000
UK	244	827
Canada	–	2,155
	244	2,982

The carrying amounts of trade receivables are denominated in the following currencies:

	2019	2018
	£000	£000
Sterling	**244**	827
Canadian Dollar	**–**	2,155
	244	2,982

The ageing of trade and other receivables at 31 December 2019 was as follows:

	2019 Gross	2019 Impairment	2019 Net	2018 Gross	2018 Impairment	2018 Net
	£000	£000	£000	£000	£000	£000
Under 1 year	441	197	244	3,102	138	2,964
1-2 years	–	–	–	33	15	18
	441	197	244	3,135	153	2,982

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	2019	2018
	£000	£000
At 1 January	153	315
Provision for receivables impairment	197	16
Receivables written off	–	(129)
Unused amounts reversed	(42)	(81)
Transfer to assets held for sale	(119)	–
Exchange differences	8	32
At 31 December	197	153

The allowance has been determined by reference to the recoverability of specific due and overdue debts. The creation and reversal of provisions for impaired trade receivables where they arise are included in administrative expenses in the Consolidated Income Statement. The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

30. Ultimate parent company

The ultimate parent company of the Group is Watchstone Group plc. There were no shareholders with overall control of the ultimate parent as at 31 December 2019.

31. Contingent liabilities

The Group routinely enters into a range of contractual arrangements in the ordinary course of business which can give rise to claims or potential litigation against Group companies. It is the Group's policy to make specific provisions at the Statement of Financial Position date for all liabilities which, in the opinion of the Directors, are expected to result in a loss.

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. At 31 December 2019 the Group was unable to reliably estimate the amount or timing of any potential penalty or settlement and therefore, having taken external advice, had not established a provision. The Group had however established a provision for legal costs associated with the ongoing investigation as set out in note 23.

On 27 April 2020, the SFO informed the Company of its decision not proceed to prosecute the Company for criminal offences in respect of those matters which were the subject of the investigation. The investigation continues and the Group continues to co-operate fully.

On 14 December 2015, the Group received a letter of claim from a law firm ("Claimant Firm") threatening to commence an action against the Company under the Financial Services and Markets Act 2000. No proceedings have been commenced to date in respect of this matter and the last correspondence from the Claimant Firm was received in June 2016. We therefore believe this action has been discontinued.

Separately, a firm purporting to act for a group of twelve individuals (some of whom participated in the original threatened litigation) has recently written a "Notice of intended claim" to the Company during the year ended 31 December 2019 ("Notice"). The Notice relates to potential pursuit of a claim arising under section 90A and Schedule 10A of the Financial Services and Markets Act 2000. However, it provides no information to support the validity or valuation of the individual

Notes to the Financial Statements (continued)

prospective claimants' claims, which they would be required to prove in due course in any litigation. The Company will vigorously defend all such claims if so brought. Having taken external advice, no liability has been recognised at the balance sheet date as it is not possible to reliably estimate a provision (if any) in respect of this matter. The Company responded fully to the Notice, outlining its view that the purported claim had no legal merit, because the legal tests for bringing a claim of this sort were not satisfied. Defence costs in respect of this matter have been provided for as set out in note 23.

32. Discontinued operations and disposals

Profit/(loss) for the year from discontinued operations:

	2019	2018
	£000	£000
Healthcare Services	**(1,981)**	(1,490)
Hubio Fleet	**–**	7
Hubio Technologies Limited	**–**	80
Other Hubio	**(67)**	364
Other	**–**	20
Partial recovery of PSD escrow	**39,390**	–
Profit/(loss) for the year from discontinued operations net of tax	**37,342**	(1,019)

The settlement with S&G enabled the release of £39,000,000, plus interest, of the initial sale proceeds which had been held in escrow to be released to the Group. The remaining £11,000,000 was released to S&G. Due to the uncertainty surrounding the outcome of the claim and therefore the value of this asset, it had been written down to zero in previous years. Discontinued operations during 2019 therefore includes the reversal of this write down to the extent it was recovered.

At 31 December 2019, the Group was committed to the sale of Healthcare Services. As such, the related assets and liabilities, were presented as held for sale in the Consolidated Statement of Financial Position and the results of the business included within Discontinued Operations within the Consolidated Income Statement. The Consolidated Income Statement for the year ended 31 December 2018 has been restated on the same basis. At 31 December 2018, there were no assets or liabilities classified as held for sale.

The sale of Healthcare Services completed in February 2020 and accordingly the profit arising upon disposal is not included within the results for the year ended 31 December 2019. The provisional profit on disposal is as follows to be recognised in the year ended 31 December 2020 is as follows:

	£000
Sales proceeds	**21,525**
Net assets at disposal	**(12,528)**
Expenses and other costs of sale	**(804)**
Profit arising on sale	**8,193**
Cumulative foreign exchange losses recognised through OCI	**(1,870)**
Net profit arising on sale to be recognised in profit and loss	**6,323**

Up to a further CDN $800,000 becomes payable should the business generate target revenues in the year after disposal. This amount is not included within the proceeds above.

The overall result recognised within discontinued operations in the Consolidated Income Statement for Healthcare Services was as follows:

	2019	2018
	£000	£000
Revenue	31,146	30,190
Expenses	(33,127)	(31,680)
Loss before tax of discontinued operation	(1,981)	(1,490)
Tax	–	–
Loss after tax of discontinued operation	(1,981)	(1,490)

The result for the year ended 31 December 2019 included certain non-recurring costs arising from the disposal process.

The cash flows of the discontinued operations of Healthcare Services recognised in the Consolidated Cash Flow Statement were as follows:

	2019	2018
	£000	£000
Operating cash outflows	480	688
Investing cash flows	(460)	(992)
Financing cash flows	(1,832)	(2,461)
Total cash flows	(1,812)	(2,765)

Disposal of businesses in 2019

The Group did not complete the disposal of any businesses during 2019.

Disposal of businesses in 2018

Hubio Fleet

In February 2018, the Group disposed of its interest in Hubio Fleet, its UK B2B fleet tracking business.

The profit arising on disposal is as follows:

	£000
Sales proceeds	60
Net liabilities at disposal	20
Expenses and other costs of sale	(77)
Profit arising on sale	3

The overall result recognised within discontinued operations in the Consolidated Income Statement for Hubio Fleet was as follows:

	2018
	£000
Revenue	108
Expenses	(101)
Profit before tax of discontinued operation	7
Tax	–
Profit after tax of discontinued operation	7

Notes to the Financial Statements (continued)

The cash flows of the discontinued operations of Hubio Fleet recognised in the Consolidated Cash Flow Statement were as follows:

	2018
	£000
Operating cash outflows	(1)
Investing cash flows	–
Financing cash flows	–
Total cash flows	**(1)**

Canadian non-telematics assets

In January 2018, the non-telematics assets of the Group's Canadian subsidiary, which formed part of Hubio Solutions Inc. ("HSI") was sold to a newly established entity, in which former members of HSI management have an interest.

The profit arising on disposal is as follows:

	£000
Sales proceeds	258
Net liabilities at disposal	323
Expenses and other costs of sale	(26)
Profit arising on sale	**555**

The overall result recognised within discontinued operations in the Consolidated Income Statement for the business disposed of was as follows:

	2018
	£000
Revenue	45
Expenses	(45)
Loss before tax of discontinued operation	–
Tax	–
Loss after tax of discontinued operation	**–**

The cash flows of the discontinued operations of HSI recognised in the Consolidated Cash Flow Statement were as follows:

	2018
	£000
Operating cash outflows	–
Investing cash flows	–
Financing cash flows	–
Total cash flows	**–**

33. Related party transactions

Transactions between Group undertakings, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Compensation of key management personnel

The key management personnel are the Directors.

	2019	2018
	£000	£000
Short-term employee benefits	1,623	1,821
Post-employment benefits	13	17
Termination benefits	320	–
	1,956	1,838

Transactions with a supplier

One of the Group's subsidiaries has entered into an arms-length agreement with a Company of which Mr Young, a non-executive Director of Watchstone Group plc is also a director ("Related Company"). Mr Young has not been involved with negotiations regarding the agreement. Total commissions received by the Group from the Related Company during the year ended 31 December 2019 were £1,403,000 (2018: nil) and the amount due to the Group at 31 December 2019 was £184,000 (31 December 2018: £nil).

Transactions with Directors and Key Management

There have been no transactions with Directors and Key Management during 2019 (2018: none).

Transactions with former management

The Company brought High Court proceedings against its former Executive Chairman, Mr Robert Terry, and others, for breach of the share purchase agreement entered into by the Company with Mr Terry and others on 28 April 2011 in respect of the sale and purchase of shares in Watchstone Limited ("WL"). The Company subsequently received an application by Mr Terry and the other defendants, seeking permission to bring a counterclaim for approximately £14,700,000 The Company obtained legal advice on the proposed counterclaim, and considered it to be without merit and lacking in credibility.

On 16 November 2018, in separate proceedings, Mr Terry, and other connected parties including Mrs Terry, successfully established the existence of a historic Oral Indemnity and claimed £1,000,000 (plus the award of costs and interest) from WL in respect of further capital gains tax liabilities arising as a result of the disposal of shares in WL in 2011, and associated fees, pursuant to the Oral Indemnity.

In October 2019, the Group settled all outstanding claims with Mr Terry, this resulted in a repayment by Mr Terry and others to the Group of £1,026,000.

34. Post balance sheet events

The Group disposed of its Healthcare Services business in February 2020. Further details are provided in note 32.

On 27 April 2020, the SFO informed the Company it will not be prosecuted for criminal offences in respect of those matters which were the subject of the investigation. Further details are provided in notes 23 and 31.

Company Financial Statements

Company Statement of Financial Position

as at 31 December 2019	Note	2019 £000	2018 £000
Non-current assets			
Property, plant and equipment	38	**1**	–
Investments in subsidiaries	39	**6,297**	6,216
Interests in associates	39	**–**	–
Investments	39	**–**	–
		6,298	6,216
Current assets			
Receivables	40	**19,210**	27,277
Term deposits	41	**15,000**	40,000
Cash and cash equivalents	42	**56,333**	8,797
Total current assets		**90,543**	76,074
Total assets		**96,841**	82,290
Current liabilities			
Trade and other payables	43	**(30,636)**	(34,269)
Provisions	43	**(3,795)**	(10,591)
Total current liabilities		**(34,431)**	(44,860)
Total liabilities		**(34,431)**	(44,860)
Net assets		**62,410**	37,430
Equity			
Share capital	45	**4,604**	4,604
Other reserves	46	**128,123**	128,451
Retained earnings	46	**(70,317)**	(95,625)
Total equity		**62,410**	37,430

The Financial Statements of the Company, registered number 05542221, on pages 76 to 92 were approved by the Directors on 12 May 2020 and signed on its behalf by:

Stefan Borson
Director

David Young
Director

The accompanying notes are an integral part of the Financial Statements.

Company Cash Flow Statement

for the year ended 31 December 2019	Note	2019 £000	2018 £000
Cash flows from operating activities			
Cash used by operations before exceptional costs, net finance expense and tax	49	**(3,839)**	(1,684)
Non underlying operating cash in/(out) flows excluding discontinued operations		**31,590**	(3,482)
Cash generated from/(used by) operations before net finance expense and tax		**27,751**	(5,166)
Net cash generated from/(used by) operating activities		**27,751**	(5,166)
Cash flows from investing activities			
Purchase of term deposit		**(75,000)**	(100,000)
Proceeds from maturing term deposits		**100,000**	100,000
Interest income		**333**	309
Loans that were made to group undertakings		**(6,048)**	(6,130)
Loans from group undertakings		**500**	1,326
Net cash generated from/(used in) investing activities		**19,785**	(4,495)
Net increase/(decrease) in cash and cash equivalents		**47,536**	(9,661)
Cash and cash equivalents at the beginning of the year		**8,797**	18,458
Cash and cash equivalents at the end of the year	42	**56,333**	8,797

The accompanying notes are an integral part of the Financial Statements.

Company Financial Statements (continued)

Company Statement of Changes in Equity

for the year ended 31 December 2019	**Share capital**	**Share premium account**	**Merger reserve**	**Other equity reserve**	**Share-based payments reserve**	**Total other reserves**	**Retained earnings**	**Total equity**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 January 2019	**4,604**	**127,251**	**818**	**54**	**328**	**128,451**	**(95,625)**	**37,430**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**24,980**	**24,980**
Expiration of share options	**–**	**–**	**–**	**–**	**(328)**	**(328)**	**328**	**–**
Total transactions with owners, recognised directly in equity	**–**	**–**	**–**	**–**	**(328)**	**(328)**	**328**	**–**
At 31 December 2019	**4,604**	**127,251**	**818**	**54**	**–**	**128,123**	**(70,317)**	**62,410**

for the year ended 31 December 2018	Share capital	Share premium account	Merger reserve	Other equity reserve	Share-based payments reserve	Total other reserves	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 January 2018	4,604	127,251	818	54	328	128,451	(76,993)	56,062
Loss for the year	–	–	–	–	–	–	(18,632)	(18,632)
At 31 December 2018	4,604	127,251	818	54	328	128,451	(95,625)	37,430

Notes to the Financial Statements

35. General information

Watchstone Group plc (the Company) is a public limited company registered and domiciled in the United Kingdom. The Financial Statements are presented in pounds sterling, to the nearest thousand, as this is the currency of the primary economic environment in which the Company operates. The address of the registered office is Highfield Court, Tollgate, Chandler's Ford, Hampshire, SO53 3TY.

36. Significant accounting policies

The principal accounting policies adopted in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented.

Basis of preparation

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations adopted by the European Union (EU). A summary of the significant Company accounting policies is set out below. The Company has reviewed its accounting policies in accordance with IAS 8 and determined that they are appropriate for the Company and have been consistently applied.

In preparing these Financial Statements the Board has taken into account all available information in the application of its accounting policies and in forming judgements.

Going concern

The Company has reduced its working capital requirements through the disposal of a number of non-core, loss making businesses. The Company holds significant cash reserves and no material bank debt. The Company has concluded that its cash reserves together with ongoing operating cash flows will be sufficient to fund the ongoing operations of the Company together with any future development needs, and the settlement of legacy matters.

On this basis, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors have not identified any material uncertainties that would cast significant doubt on the ability of the Company to continue as a going concern. As such, the Directors continue to adopt the Going Concern basis of accounting in the preparation of the Financial Statements.

Income Statement and Statement of Comprehensive Income

The Company has not presented its own Income Statement and Statement of Comprehensive Income as permitted by section 408 of the Companies Act 2006.

Share-based payments

Options

The fair value of options granted to individuals is recognised as an expense, with a corresponding increase in equity, over the period in which the unconditional entitlement occurs. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options expected to vest. Upon the exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital and share premium.

The Company adopted a Black-Scholes model to calculate the fair value of options granted. Costs relating to employees of subsidiaries has been accounted for by increasing the Company's cost of investment of those subsidiaries.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are held at cost less any provisions for impairment. The recoverable value of these investments are assessed at least annually.

Trade receivables and intercompany debt

Trade receivables are held at amortised cost less any impairment provisions and this equates to their recoverable value. Impairment provisions for intercompany receivables are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month expected credit losses are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses are recognised. For those that are determined to be credit impaired, lifetime expected credit losses are recognised. Movements in the impairment provision relating to credit risk are recognised within administrative expenses as bad debt expenses.

Notes to the Financial Statements (continued)

Trade payables

Trade payables do not carry any interest and are initially stated at their fair value. Subsequent to initial recognition they are measured at amortised cost.

Cash and cash equivalents

Cash in the Statement of Financial Position comprises cash at banks and in hand. For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Term deposits

Term deposits represent short term (six months or less) investments in fixed interest deposits with a major UK bank. The related cash flows are included within investing activities in the Company Cash Flow Statement. Term deposits do not qualify as cash since it is not intended they be used to meet the short term funding requirements of the Company.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation in respect of a past event and it is probable that settlement will be required of an amount that can be reliably estimated.

Taxation including deferred tax

The tax expense represents the sum of current tax and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised in equity in which case it is recognised in equity. The current tax is based on taxable profit for the year calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax is provided using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit. In principle deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets or liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised. Tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Share capital

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

37. Adoption of new and revised Standards

In the current year, the following new and revised Standards and Interpretations have been adopted:

Standards, amendment and interpretations affecting the Financial Statements adopted by the Company

The Company adopted IFRS 16, Leases on 1 January 2019 of which the policy and impact is as follows:

Identification of leases:

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continued to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16.

Policy applicable from 1 January 2019:

At inception of a contract the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

Policy applicable prior to 1 January 2019:

Prior to 1 January 2019 the Company determined if an agreement was, or contained a lease based upon assessment of whether:

- Fulfilment of the agreement was dependent upon the use of a specified asset or assets; and
- The arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use an asset if one of the following was met:
  - The purchaser had the ability or right to operate the asset
  - The purchaser had the ability or right to control physical access to the asset

Recognition:

The Company recognises a right-of-use asset and a lease liability at the latter of the lease commencement date or the date of transition, being 1 January 2019. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any payments made at or before the lease commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight line method from the lease commencement date to the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially valued at the present value of lease payments that are not paid at the latter of the commencement date or the date of transition, discounted at a borrowing rate equivalent to a similar loan in the same territory as the right-of-use asset, being the incremental borrowing rate at the date of inception. Lease payments included in the calculation of the lease liability include payments in optional renewal periods if the Company reasonably expects they will be exercised. Variable payments are only included in the measurement of the lease liability if they depend on an index or rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate or if there is a change in the Company's assessment of the likelihood of a renewal option being exercised.

When the lease liability is remeasured, a corresponding adjustment is made to the right-of-use asset or is recorded in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets within property, plant and equipment and lease liabilities within borrowings in the Statement of Financial Position.

Leases of low value assets:

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets. The lease payments associated with these items is recognised on a straight line basis over the lease term.

Transition

The Company has not taken advantage of the exemption under IFRS 16 to grandfather the determination of lease agreements from IAS 17. Consequently, all agreements have been reassessed to determine if they are or contain a lease for the period from 1 January 2019. The allowable exemption to exclude short leases has also not been taken.

Impact

The impact of the changes at 1 January 2019 was to increase Property, Plant and Equipment by £74,000 with a corresponding increase in Lease Liabilities. The difference in value from the transition date represents additions net of disposal and depreciation in the year. Interest expense in the year ended 31 December 2019 was £2,000 and depreciation expense £73,000. Administrative expenses, excluding depreciation have reduced by £75,000 as IAS 17 lease rentals are no longer included. Due to the short term nature and low value of the leases in the continuing business the related assets and liabilities included on the Balance Sheet at 31 December 2019 are trivial.

There are no other new standards, amendments or interpretations adopted by the Company that have a material impact on the Financial Statements for this year.

Notes to the Financial Statements (continued)

Standards, amendments and interpretations not significantly affecting the reported results nor the financial position

IFRIC 23	Uncertainty over income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 28	Long-term interests in Associates and Joint Ventures
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Annual Improvements to IFRS 2015-17 cycle	Various standards
IFRIC 23	Uncertainty over income Tax Treatments

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019 (which in some cases have not yet been adopted by the European Union) and have not been applied in preparing these Financial Statements. None of these are expected to have a significant effect on the Financial Statements of the Company, as follows:

IFRS 17	Insurance Contracts
Amendments to IFRS 10 and 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 14	Regulatory Deferral Accounts
IFRS 3	Definition of a Business
Conceptual Framework	Amendments to References to Conceptual Framework in IFRS Standards
Amendments to IAS 1 and IAS 8)	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

38. Property, plant and equipment

	Leasehold Land and Buildings – Right of use Assets	Total
	£000	£000
Cost		
At 1 January 2018 and 2019	**–**	**–**
Adoption of IFRS 16 (note 37)	**74**	**74**
Disposals	**(71)**	**(71)**
At 31 December 2019	**3**	**3**
Depreciation		
At 1 January 2018 and 2019	**–**	**–**
Charge for the year	**73**	**73**
Disposals	**(71)**	**(71)**
At 31 December 2019	**2**	**2**
Net book value		
31 December 2019	**1**	**1**
31 December 2018	–	–

39. Investments

	Shares in investments	Shares in associates	Shares in group undertakings	Total
	£000	£000	£000	£000
Cost				
At 1 January 2018	1,500	4,222	254,672	260,394
Reclassifications	222	(4,222)	4,000	–
Disposals	(222)	–	(30,612)	(30,834)
At 1 January 2019	**1,500**	**–**	**228,060**	**229,560**
Disposals	**–**	**–**	**(118,377)**	**(118,377)**
At 31 December 2019	**1,500**	**–**	**109,683**	**111,183**
Impairment				
At 1 January 2018	1,500	4,222	235,438	241,160
Reclassifications	222	(4,222)	4,000	–
Charge for the year	–	–	13,018	13,018
Disposals	(222)	–	(30,612)	(30,834)
At 1 January 2019	**1,500**	**–**	**221,844**	**223,344**
Charge for the year	**–**	**–**	**(81)**	**(81)**
Disposals	**–**	**–**	**(118,377)**	**(118,377)**
At 31 December 2019	**1,500**	**–**	**103,386**	**104,886**
Net book value				
31 December 2019	–	–	6,297	6,297
31 December 2018	–	–	6,216	6,216

The following information relates to the related undertakings of the Company. Unless otherwise stated, all holdings are 100% and the principal activity of the undertaking is the provision of healthcare services, insurance brokerage and other services.

Notes to the Financial Statements (continued)

	Nature of holding	Class and percentage of shares held (100% ordinary shares unless otherwise stated)
Investments incorporated in Canada		
Registered Address: 100 King Street West, Suite 3400, One First Canadian Place, Toronto, Ontario, M5X 1A4		
Hubio Solutions Inc	Indirect	
ingenie (Canada) Inc	Indirect	
Innocare Limited ~	Indirect	
Quindell Services Inc	Indirect	
Watchstone (Canada) Inc	Direct	
Registered Address: 70 Frid Street, Unit 2, Hamilton, Ontario, L8P 4M4		
pt Healthcare Solutions Corp +	Indirect	
7211589 Canada Inc +	Indirect	
Registered Address: 67 Yonge Street, Suite # 1101, Toronto, Ontario, M5E 1J8		
pt Health Aspen Limited Partnership +	Indirect	51%
Registered Address: c/o Actus Law Droit, 900 Main Street, Moncton, New Brunswick, E1C 1G4		
pt Health NB 2016 Professional Corporation Inc +	Indirect	25% Common shares, 100% preference shares
Investments incorporated in United Kingdom		
Registered Address: Highfield Court, Tollgate, Chandlers Ford, Eastleigh, Hampshire SO53 3TY		
Hubio Technologies Limited ~	Direct	
Ingleby (1653) Limited	Indirect	
Ingleby Sub Limited	Indirect	
Maine Finance Limited ~	Indirect	
Morpheous Holdings Limited	Indirect	
Morpheous Sub Limited ~	Indirect	
Quindell Business Process Services Limited	Direct	98.4%
Watchstone Limited	Direct	
Registered Address: Pillar House, 113/115 Bath Road, Cheltenham, Gloucestershire, GL53 7LS		
BestPriceHotDeals Limited	Indirect	50%
Registered Address: Quob Park, Titchfield Lane, Wickham, Fareham, Hampshire		
OS3 Digital Platform Limited	Indirect	5.29%
OS3 Distribution Limited	Direct	5.29%
Registered Address: The Stables, Thorncroft Manor, Thorncroft Drive, Leatherhead, Surrey		
ingenie Limited	Direct	
ingenie Services Limited	Indirect	
Registered Address: 85 Great Portland Street, London, W1W 7LT		
Rego Technologies Limited (formerly Volo Commerce Limited)	Direct	0.7%
Investments incorporated in United States of America		

~ denotes that the Group has applied to have the company struck off.

+ denotes sold after the year end – see note 32.

	Nature of holding	Class and percentage of shares held (100% ordinary shares unless otherwise stated)
Investments incorporated in United States of America		
Registered Address: 280 Madison Avenue, Room 912 – 9th Floor, New York 10016		
SMI Telecoms LLC	Indirect	
Registered Address: 3800 N Central Ave, Ste 460, Phoenix, AZ 85012		
Navseeker Inc	Indirect	
Registered Address: Corporate Trust Co., Corporate Trust Center, 1209 Orange Street, Wilmington, DE 19801		
SMI Telecoms Distribution LLC ~	Indirect	
Registered Address: 925 N La Brea Avenue, 4th Floor, Los Angeles, CA 90038		
WRDL3D Inc (formerly eeGeo Inc)	Indirect	8.9%
Registered Address: Corporation Service Company, 2711 Centerville Road, Ste 400, Wilmington, DE 19808		
Iter8 (USA) Inc	Indirect	

~ denotes that the Group has applied to have the company struck off.

+ denotes sold after the year end – see note 32.

The financial year ends of the Group's subsidiaries are 31 December 2019. The above investments are treated as consolidated subsidiaries of the Group, with the exception of those set out below.

The following information relates to investments of the Company also treated as investments within the Group accounts (see note 16):

	Country of incorporation	Nature of holding
Name of investment		
WRDL3D Inc (formerly eeGeo Inc) (8.9%)	USA	Indirect
OS3 Digital Platform Limited (5.3%)	UK	Indirect
OS3 Distribution Limited (5.3%)	UK	Direct
Rego Technologies Limited (formerly Volo Commerce Limited) (0.7%)	UK	Direct

The fair value of investments was assessed on sales value less cost to sell and falls within Level 3 of the fair value hierarchy.

There are no contractual arrangements to provide resources to any investments or subsidiaries, however the Company gives adequate resources to subsidiaries to meet working capital requirements.

In February 2020, the net book value of investments at 31 December 2019 was recovered from a subsidiary which had no effect on cash.

40. Receivables

	2018	2017
	£000	£000
Payroll and other taxes including social security	**604**	311
Other debtors	**–**	216
Prepayments	**25**	23
Amounts due from subsidiary undertakings	**18,581**	26,727
	19,210	27,277

All receivables fall due within one year of the balance sheet date. The Directors consider that the net carrying amount of trade receivables approximates to their fair value.

Notes to the Financial Statements (continued)

41. Term deposits

Term deposits represent cash which has been invested into short term (less than six months) fixed interest-bearing instruments with a major UK bank.

	2019	2018
	£000	£000
Term deposits	**15,000**	40,000

42. Cash and cash equivalents

Cash and cash equivalents comprise the following for the purpose of the cash flow statement:

	2019	2018
	£000	£000
Cash and cash equivalents	**56,333**	8,797

43. Liabilities

	2019	2018
	£000	£000
Current liabilities		
Trade payables	**168**	307
Amounts owed to Group undertakings	**29,332**	31,508
Accruals	**1,135**	2,454
Provisions	**3,795**	10,591
Lease liabilities	**1**	–
	34,431	44,860

The Directors consider that the net carrying amount of liabilities approximates to their fair value.

The analysis of lease liabilities is as follows:

	Leasehold Land and Buildings	Total
	£000	£000
At 1 January 2019	–	**–**
Adoption of IFRS 16	74	**74**
Interest expense	2	**2**
Lease payments	(75)	**(75)**
At 31 December 2019	1	**1**

The analysis of provisions is as follows:

	Tax related matters	Legal disputes	Other	Total
	£000	£000	£000	£000
At 1 January 2018	3,193	7,442	806	11,441
Additional provisions	–	3,752	–	3,752
Unused amounts reversed	(1,493)	(96)	–	(1,589)
Used during the year	–	(2,891)	(122)	(3,013)
At 1 January 2019	**1,700**	**8,207**	**684**	**10,591**
Additional provisions	**–**	**3,701**	**–**	**3,701**
Unused amounts reversed	**(1,700)**	**(127)**	**(612)**	**(2,439)**
Used during the year	**–**	**(7,986)**	**(72)**	**(8,058)**
At 31 December 2019	**–**	**3,795**	**–**	**3,795**
Split:				
Current	**–**	**3,795**	**–**	**3,795**

Tax related matters

A provision for tax-related matters had been established in previous years with respect to judgemental tax positions primarily in relation to historical PAYE and VAT issues. During the year ended 31 December 2018, the outstanding PAYE issues were resolved and resulted in £693,000 of provision being released to the income statement. Further information also become available during the year allowing an improved estimate to be made of the liability, resulting in £800,000 of the provision being released to the income statement.

As part of the settlement announced on 19 October 2019 with S&G (see note 32), S&G assumed the liability for historical disputed VAT amounts against which S&G had previously been indemnified for by the Group in respect of the disposal of the PSD. Consequently, the remaining provision was reversed.

Legal disputes

In legal cases where the Group is (or would be) the defendant, such as those set out in note 31, defence costs are provided as the Group is committed to defending the actions. Such costs are provided for at the mid-range of possible eventualities given the uncertainty of the outcome, this range is reassessed on a continuous basis. If the Group is successful in defending such actions, then the final costs may be lower than the total provision recognised above. Additional provisions and amounts used during the year in the table above primarily relate to higher than expected legal costs in the defence of the claim from S&G settled during the year (see note 32).

The remaining provision at 31 December 2019 represents the costs of additional legal fees in respect of the Group's defence against any proposed class action and the investigation by the SFO. Further details are provided in note 31. The provisions will be utilised further as the matters progress.

In legal cases where the Group is the claimant (or counter claimant), costs are not provided as there is no obligation to proceed and the Group is not contractually committed to incur costs.

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. This provision relates to restructuring costs which were concluded during the year. Unused amounts reversed and amounts used represents the result of legal settlements for less than the amount provided at 31 December 2018.

Notes to the Financial Statements (continued)

44. Financial instruments and financial risk management

(a) Financial instruments

The Company's financial instruments comprise:

1. Loans and receivables comprising: trade and other receivables including amounts due from subsidiary undertakings £18,581,000 (2018: £26,727,000);
2. Term deposits of £15,000,000 (2018: £40,000,000);
3. Cash and cash equivalents of £56,333,000 (2018: £8,797,000); and
4. Other liabilities comprising: trade and other payables including amounts owed to Group undertakings of £29,500,000 (2018: £31,815,000).

The carrying value and fair values are approximately the same. The fair values of assets and liabilities and fair value hierarchy is as described in note 29.

(b) Financial risk management

The Company manages its exposure to capital, liquidity and credit risk as set out in note 29.

The following are the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1-5 years	Over 5 years
	£000	£000	£000	£000	£000
2019					
Trade and other payables	**168**	**(168)**	**(168)**	**–**	**–**
Amounts owed to Group undertakings	**29,332**	**(29,332)**	**(29,332)**	**–**	**–**
	29,500	**(29,500)**	**(29,500)**	**–**	**–**
2018					
Trade and other payables	307	(307)	(307)	–	–
Amounts owed to Group undertakings	31,508	(31,508)	(31,508)	–	–
	31,815	(31,815)	(31,815)	–	–

Included within trade and other payables is an amount of CDN $nil (2018: CDN $132,000); all other financial instruments are denominated in pounds sterling.

45. Called up share capital

	Number	Nominal value fully paid	Nominal value unpaid	Nominal value total
2019	**'000**	**£000**	**£000**	**£000**
At start and end of year	**46,038**	**4,593**	**11**	**4,604**

	Number	Nominal value fully paid	Nominal value unpaid	Nominal value total
2018	'000	£000	£000	£000
At start and end of year	46,038	4,593	11	4,604

The Company has one class of ordinary shares of 10 pence each which carry no right to fixed income.

46. Reserves

	2019	2018
	£000	£000
Share premium account	**127,251**	127,251
Merger reserve	**818**	818
Other equity reserve	**54**	54
Share-based payments reserve	**–**	328
Other reserves	**128,123**	128,451
Retained earnings	**(70,317)**	(95,625)

The fair value of the share consideration over and above the share's nominal value of 10 pence per share for all other shares issued by the Company is included in the share premium reserve. In addition, directly attributable costs incurred in the issuing of shares are also recognised in the share premium reserve.

The merger reserve represents the fair value of the share consideration over and above the share's nominal value of 10 pence per share for those shares issued as consideration for acquisitions that take the Company's ownership of the acquired entity above 90%.

The equity reserve represents the equity component of share-based payments prior to 1 October 2010.

The share-based payment reserve is increased to reflect the fair value to the Company of share-based payment transactions, with the reserve being reduced when shares are issued.

Further details relating to reserves are included in the Company Statement of Changes in Equity on page 78.

At the Statement of Financial Position date, the Company had negative distributable reserves of £71,466,000 and unrealised profit amounts totalling £821,000 in retained earnings.

47. Income statement of the Company

The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 to not disclose the Income Statement of the Company. The profit after taxation of the Company for the year ended 31 December 2019 was £24,980,000 (2018: loss of £18,632,000).

Notes to the Financial Statements (continued)

48. Operating lease commitments

At 31 December 2018, the Company had outstanding commitments for minimum lease payments due under non-cancellable operating leases, which expire as follows:

	Land and buildings 2018 £000
Expiring:	
Within one year	73
Between two and five years	3
	76

The Company adopted IFRS 16, Leases on 1 January 2019 and consequently has no Operating Lease commitments under IAS 17. Further details are provided in note 37.

Reconciliation operating lease commitments to lease liabilities:

	2018 £000
Operating lease commitments as at 31 December 2018	76
Discounted effects using incremental borrowing rate as at 1 Jan 19	(2)
Lease liabilities as at 1 January 2019	74

49. Cash flow from operating activities

	2019 £000	2018 £000
Profit/(loss) after tax	**24,980**	(18,632)
Tax	**–**	–
Finance expense	**593**	614
Finance income	**2,607**	(4,886)
Operating profit/(loss)	**28,180**	(22,904)
Adjustments for:		
Non underlying operating cash out flows excluding discontinued operations	**(31,590)**	3,482
Depreciation of property, plant and equipment	**73**	–
Impairment of investments	**(81)**	13,768
Impairment of intercompany	**7,258**	2,446
Operating cash flows before movements in working capital and provisions	**3,840**	(3,208)
(Increase)/decrease in trade and other receivables	**(6)**	4,281
Decrease in trade and other payables	**(7,673)**	(2,757)
Cash used by operations before exceptional costs	**(3,839)**	(1,684)

Reconciliation of net cash flow to movement in net funds:

	1 January	Cash flow movements	31 December
	£000	£000	£000
2019			
Cash	**8,797**	**47,536**	**56,333**
Cash and cash equivalents	**8,797**	**47,536**	**56,333**
Net funds	**8,797**	**47,536**	**56,333**
2018			
Cash	18,458	(9,661)	8,797
Cash and cash equivalents	18,458	(9,661)	8,797
Net funds	18,458	(9,661)	8,797

50. Ultimate controlling party

There are no shareholders with overall control of the Company as at 31 December 2019.

51. Contingent liabilities

The Company routinely enters into a range of contractual arrangements in the ordinary course of events which can give rise to claims or potential litigation against Group companies. It is the Company's policy to make specific provisions at the Statement of Financial Position date for all liabilities which, in the opinion of the Directors, are expected to result in a significant loss. Please refer to note 31 where further details are provided.

52. Related party transactions

In the year, the key management personnel were the Directors. The Directors had no material transactions with the Company during the year, other than disclosed in the Directors' Remuneration Report on pages 14 to 16 or as described in note 33.

Details of former management transactions are provided in note 33.

During the year, the Company entered into transactions, in the ordinary course of business, with other related parties as follows:

	2019	2018
	£000	£000
Subsidiary undertakings:		
Purchases	**(34)**	(111)
Sales	**1,046**	1,344

At 31 December, the outstanding balances with subsidiaries are as follows:

	2019	2018
	£000	£000
Amounts due from subsidiary undertakings	**133,986**	158,144
Provisions for doubtful debts relating to amounts due from subsidiary undertakings	**(115,405)**	(131,417)
Net amounts due from subsidiary undertakings	**18,581**	26,727
Amounts due to subsidiary undertakings	**(29,332)**	(31,508)

Notes to the Financial Statements (continued)

53. Post balance sheet events

The Group disposed of its Healthcare Services business in February 2020. Further details are provided in note 32.

On 27 April 2020, the SFO informed the Company it will not be prosecuted for criminal offences in respect of those matters which were the subject of the investigation. Further details are provided in notes 23 and 31.

54. Dividends

The Company did not pay any dividends during the year, nor in the prior year.

Officers and Professional Advisers

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Mr R Rose (Chairman)
Rt. Hon. Lord M Howard
Mr D Young
Mr S Borson

Company Secretary

Mr S Borson

Registered Office

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