16 September 2016

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

Results for the six months ended 30 June 2016

Watchstone (AIM:WTG.L) today announces its results for the six months ended 30 June 2016.

Financial summary:

- Underlying* business revenues improved to £31.9m (2015: £28.8m)
- Underlying EBITDA loss before capitalisation of development expenditure £6.9m (2015: £13.8m)
- Underlying EBITDA loss after capitalisation of development expenditure £6.7m (2015: £10.2m)
- Total loss before tax £8.2m (2015: loss of £32.3m)
- Group net assets £130.6m (as at 31 December 2015: £137.1m)
- Group cash at 30 June 2016 of £93.8m (£89.3m as at 31 August 2016), with a further £50.0m in escrow

** Underlying includes ptHealth, Hubio, Ingenie, BAS, Maine Finance and Central*

Operational highlights:

- Substantial work completed and on-going to simplify the Group including closure and disposals of loss-making businesses; underpinned by work to position the Group to deliver shareholder value from its assets
- Continued momentum in ptHealth and ingenie
- ingenie signed its first white label licence with ANWB, The Royal Dutch Touring Club
- Resolved long standing Navseeker litigation

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Notes to editors:

About Watchstone

Watchstone Group plc is focused on managing the Group's operating, contingent and cash assets in order to achieve the maximum value possible, whilst always ensuring good governance.

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

- We seek to anticipate change and we have the agility to exploit the dynamism of customer behaviour;
- We invest in the people and technologies that will drive innovation and success in our markets;
- We promote in-depth sector knowledge and experience as the starting point of value creation; and
- We strive for efficiency across our businesses through the optimal allocation of resources and good governance.

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

- Hubio was created as a combination of Himex, our UK based insurance policy and claims technology business, QETS and our Canadian software and services division, QSI. It provides integrated solutions to help organisations in the insurance and automotive sectors increase efficiency, reduce claims, build customer engagement and enable usage-based personalisation.

- Healthcare

    - ptHealth is a national healthcare company that owns and operates physical rehabilitation clinics across Canada. From large cities to small communities, ptHealth takes pride in delivering quality services in a compassionate and patient-centred atmosphere that is focused on providing recovery solutions for its patients.

    - InnoCare is a proprietary clinic management software platform and call centre and customer service operation based in Canada. InnoCare was a spin out from ptHealth and uses its established industry expertise to enable clinic owners to transform their patient's experience and operate more efficient and productive practices in the growing North American healthcare market.

- ingenie is an insurance broker focused on helping young drivers get on the road safely and affordably. Using telematics technology, ingenie gives its community feedback, advice and discounts to help them improve their driving skills and stay safe. ingenie was recently named Telematics Champion of the Year by the Insurance Times.

- Other

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

    - Maine Finance is a life insurance broker, selling life, critical illness and income protection insurance policies direct to customers and businesses throughout the UK. QuoteSupermarket.com seeks to help people save money and to find the best quotes from a wide range of high quality insurance providers.

CHAIRMAN’S STATEMENT

The Board can report continued progress in creating a solid base for the future and resolving the historic and legacy matters inherited.

Corporate activity

In the first half of 2016, we have continued our strategy of divesting of businesses that are more suited to ownership outside of the Group and, in January 2016 we exited our property services interests followed in March 2016 by the disposal of Quintica Holdings Limited (“Quintica”). Both businesses were loss making.

Further disposals may occur over time if we think this is the right path to take to create shareholder value.

Restoring confidence

I am pleased to say that the stability continues and we continue with our work to rebuild the confidence of investors, customers and suppliers, regulators and colleagues alike. The SFO investigation into historic accounting issues, that pre-date this management team and Board, remains on-going and we continue to co-operate fully with it.

Cash and return of capital

As at 31 August 2016, the Group had cash of £89.3m with a further £50.0m in escrow, and no material debt. The £50.0m escrow arose on the sale of the Professional Services Division (“PSD”) to Slater & Gordon Limited (“S&G”) in May 2015 and is currently reserved in a joint escrow account pending any warranty claims (“Warranty Escrow”). The Warranty Escrow is due to be released following the expiry of the warranty period at the end of November 2016. As detailed previously, we will look to make a further return of capital of approximately £1 per share if, as anticipated, the Warranty Escrow is released to us.

As with our previous return of capital, this will require both the approval of shareholders and Court approval for a further capital reduction. Once again, the Board will need to ensure the interests of creditors are adequately safeguarded including in respect of any contingent liabilities. An appropriate amount will also be held in reserve for developing and growing our businesses. If the Warranty Escrow is released as anticipated, then we would expect to make the return of capital before the end of the first quarter of 2017.

We remain hopeful of receiving contingent deferred consideration in respect of the disposal of the PSD and are in close contact with S&G in respect of this matter. However, S&G, who are leading the noise-induced hearing loss ("NIHL") claims in respect of clients, said in their results for the year ended 30 June 2016 released on 30 August 2016 that it was impractical to determine an estimate of the deferred consideration.

Conclusions

We are now closer to a simplified group and expect the next six months to clarify a number of additional historic matters. Operationally, we have some exciting opportunities to create value in our remaining businesses through a more focussed and realistic approach and particularly via organic growth and new product launches. We remain determined to deploy resources and energy to maximise such potential.

Richard Rose
Non-executive Chairman

GROUP CHIEF EXECUTIVE'S UPDATE

In the first half of the year Watchstone has made solid progress in line with our strategy and expectations. We have enjoyed a period of stability and operational execution which, given the history of the Company, has been essential.

We continue to manage issues of the past with determination and we are working with clarity to develop and grow our businesses. We continue to resolve legacy corporate and legal matters and in June, we finally received Court approval in Delaware of the settlement of litigation relating to our subsidiary, Navseeker, Inc. (which trades as Evogi in the US).

Our focus remains on the simultaneous aims of moving the Group into profit and creating the platform to achieve the best possible value and performance from our businesses. We have continued to reduce losses ahead of plan and we are now undoubtedly a leaner, more focused and more efficient organisation. Current trading remains in line with expectations.

BUSINESS REVIEW

The Group manages its businesses, assets and liabilities via three key metrics:

- Revenues - by which we seek to ensure our businesses achieve profitable growth;
- Earnings - we use underlying earnings (EBITDA) to ensure that a transparent and fair measure is available to evidence that profitable growth. We have this year further reassessed the capability of our business units to capitalise internal development expenditure. In respect of Hubio, we have determined in line with accounting standards to expense all such costs until profitable product and service delivery is expected to be feasible and probable; and
- Cash flows- for both developing and more mature businesses cash generation or consumption is a key metric for this Group.

Underlying Group revenues for the six months to 30 June 2016 were £31.9m (2015: £28.8m) reflecting growth in each of Hubio, Healthcare and Ingenie. Underlying EBITDA before capitalisation of development expenditure (which is a good approximation to cash earnings) meanwhile stands at a loss of £6.9m which, while unsatisfactory, is a significant improvement over an equivalent loss of £13.8m for the same period last year. All areas of the Group are showing financial improvements, with the reduced losses in Hubio reflecting the actions taken. Group cash at 30 June 2016 was £93.8m, an overall cash outflow of £9.4m during the six months, reflecting the reduced losses of the business units and the continuing settlement of historic and exceptional liabilities.

Details of the principal risks and uncertainties facing the Group were set out on pages 18 and 19 of the 2015 Report and Accounts, a copy of which is available on our website (www.watchstonegroup.com). The principal risks and uncertainties identified in the 2015 Report and Accounts, and the policies and procedures for minimising these risks and uncertainties, remain unchanged and each of them has the potential to affect the Group's results during the remainder of 2016.

Taking each of our businesses in turn:

1. Healthcare Services - ptHealth

ptHealth is the largest and longest established of our businesses and operates the third largest physiotherapy and rehabilitation clinic network in Canada treating over 5,000 patients a day. ptHealth's revenue of £13.6m in H1 2016 increased by £0.7m on H1 2015 and this was achieved from fewer corporate owned clinics. Underlying EBITDA before capitalisation of development expenditure and central costs allocation saw a turnaround from a loss of £0.4m to a profit of £0.4m.

ptHealth has established a presence in the Canadian market via its 83 owned clinics (where it employs the people) and further generates income from providing services to some 159 independent network clinics. This latter activity is enabled by ptHealth's managed services offering which includes our proprietary clinic management software as well as digital marketing for lead generation and other services.

I outlined our strategy to fully exploit the shareholder value possibilities in this business in the 2015 Accounts and progress continues on:

<u>Owned clinic business</u>
Key improvements noted include average revenue per clinic, which improved by 9% comparing H1 2016 to H1 2015. In addition, assessment and treatment numbers have increased by 13% and 5% respectively during the same period. The two additional insurance contracts referred to in the 2015 Accounts are providing c.210 new assessments per month with potential to generate an additional 1,800 treatments every month.

<u>Clinic management services – InnoCare</u>
InnoCare was successfully launched as an innovative spin out from ptHealth in April 2016, with the objective of creating a company to supply SaaS, cloud-based clinic management software as well as business process outsourcing products to the North American healthcare market.

2. Hubio

Hubio's H1 2016 revenue was £8.9m which is £0.8m above H1 2015. Underlying EBITDA before capitalisation of development expenditure and central costs allocation benefited from expense reduction and the losses were cut from £6.7m to £3.6m.

The number of active devices as at end of July 2016 was steady at 38,009 which, as we have commented previously, is unsatisfactory.

Since the update in the 2015 Accounts, sustained and tightly managed effort has gone into sharpening Hubio's value proposition and target markets.

In line with our target, HubioFleet will launch this month. Using our proven telematics tracking platform, we have developed a compelling user interface and go to market approach based on competitive pricing and we will target small to medium size fleets initially in the UK prior to the move to other markets. The fleet market is proven but with substantial opportunities for growth. It is a market with a number of well-established players, so execution is key and we know that the competition is strong. This telematics market gives Hubio the opportunity for rapid business development and growth and we will have a good initial sense of progress by the start of 2017.

We continue to develop our connected car proposition in UBI and Automotive in a measured and appropriate manner ensuring that we are well placed to take advantage of the anticipated growth in these markets. To date, in line with the market as a whole, Hubio's existing contracts have failed to deliver the level of customer take up our carrier partners originally anticipated. We remain confident that we have a compelling set of technology elements for this market and we are in active discussions with a number of potential partners who share our vision as to what end users want and how the market will ultimately evolve.

In Enterprise and Professional, Hubio has entered into partnership with Guidewire Software Inc. in North America, as one of around 20, "PartnerConnect Solutions" partners. This will enable our Canadian business to take advantage of additional new business opportunities over the next 18-24 months and beyond.

We continue to develop the EIS pipeline in all territories and trading remains in line with expectations.

3. ingenie

ingenie's revenue for H1 2016 was £7.0m which is £1.8m above H1 2015. Underlying EBITDA before capitalisation of development expenditure and central costs allocation also improved from a loss of £1.1m to profits of £0.8m for the period.

ingenie's business model is proven and scalable and results have continued to improve over last year as the table below highlights:

Metric	**H1 2016**	**H1 2015**	***% change***
Gross written premium ("GWP")	£42.1m	£33.5m	*+26%*
Policies written	21,313	17,896	*+19%*
Policies in force (at period end)	42,747	37,634	*+14%*

As detailed in the 2015 Accounts, our technology has been used to create a white label proposition which can be licensed to multiple third party brands/insurers who wish to create their own telematics based offering.

In June 2016, we signed a 5-year licence agreement with ANWB, The Royal Dutch Touring Club that takes a substantial step towards improving road safety in the Netherlands. Developed with its insurance subsidiary, Unigarant, ANWB's Safe Driving Scheme will reward safer drivers of all ages with much more affordable insurance with discounts of up to 30%.

ingenie will provide its scoring, analytics, process design and telematics technology expertise, whilst Unigarant will provide all the insurance administration for ANWB's insurance brand. The target now is to replicate this model with strong partners in other territories.

After appropriate evaluation and following a number of strategic initiatives, ingenie Canada, was closed for new business in June 2016.

4. Other

<u>Business Advisory Service ("BAS")</u>
BAS, our energy switching broker for corporate customers, had revenues for H1 2016 of £1.7m, an increase of 57% on the same period in 2015. It's Industrial & Corporate Group signed its first public sector customer, Vertas Group providing services to Suffolk County Council. Three other corporate customers have been secured with a growing pipeline for new business.

<u>Maine Finance and quotesupermarket.com</u>
Maine distributes a range of financial services products, including life insurance and pensions, through the QSM site. Having already reported an exit from Maine's consumer activities in the 2015 Accounts, we continued to evaluate its remaining SME business and its prospects and concluded that we should close this loss making business completely. We continue to seek ways to maximise the value of QSM.

OUTLOOK

We continue to focus on operational execution and business improvement within our principles of strong governance, careful cash management and prudent investment.

The remainder of 2016 will be an important period for the Group. We have a clear program of actions and deliverables for each of our operating companies and will update shareholders in due course.

I thank our staff for their continued hard work and our shareholders for their support.

Indro Mukerjee
Group Chief Executive Officer

INDEPENDENT REVIEW REPORT TO WATCHSTONE GROUP PLC

Introduction

We have been engaged by the company to review the consolidated set of financial statements in the half-yearly report for the six months ended 30 June 2016 which comprises Condensed Consolidated Income Statement, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Cash Flow Statement and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

The annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU and the AIM Rules.

Tudor Aw
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London, E14 5GL
15 September 2016

Condensed Consolidated Income Statement

for the period ended 30 June 2016

		Six months ended 30 June 2016			Six months ended 30 June 2015		
		2016	**2016**	**2016**	2015	2015	2015
		Underlying	**Non-underlying**	**Total**	Underlying	Non-underlying	Total
	Note	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
Revenue	4	**31,915**	**-**	**31,915**	28,784	352	29,136
Cost of sales		**(17,124)**	**-**	**(17,124)**	(18,677)	(274)	(18,951)
Gross Profit		**14,791**	**-**	**14,791**	10,107	78	10,185
Administrative expenses	5	**(22,881)**	**(869)**	**(23,750)**	(23,711)	(21,152)	(44,863)
Other income		**-**	**186**	**186**	-	2,848	2,848
Group operating loss		**(8,090)**	**(683)**	**(8,773)**	(13,604)	(18,226)	(31,830)
Finance income		**960**	**-**	**960**	336	-	336
Finance expense		**(415)**	**-**	**(415)**	(838)	-	(838)
Loss before taxation		**(7,545)**	**(683)**	**(8,228)**	(14,106)	(18,226)	(32,332)
Taxation		**193**	**-**	**193**	2,286	(27)	2,259
Loss after taxation for the period from continuing operations		**(7,352)**	**(683)**	**(8,035)**	(11,820)	(18,253)	(30,073)
Net gain on disposal of discontinued operations	9	**-**	**323**	**323**	-	485,857	485,857
Loss for the period from discontinued operations	9	**-**	**(7)**	**(7)**	-	(41,231)	(41,231)
(Loss)/profit after taxation for the period		**(7,352)**	**(367)**	**(7,719)**	(11,820)	426,373	414,553
Attributable to:							
Equity holders of the parent		**(7,303)**	**(367)**	**(7,670)**	(11,848)	426,373	414,525
Non-controlling interests		**(49)**	**-**	**(49)**	28	-	28
		(7,352)	**(367)**	**(7,719)**	(11,820)	426,373	414,553
(Loss)/Earnings per share (pence):							
Basic		**(31.9)**		**(33.5)**	(51.7)		1,832.5
Diluted		**(31.9)**		**(33.5)**	(51.7)		1,832.5
Loss per share from continuing activities (pence):							
Basic				**(34.9)**			(133.1)
Diluted				**(34.9)**			(133.1)

Consolidated Statement of Comprehensive Income

for the period ended 31 December 2015

	Six months ended 30 June 2016 £'000	Six months ended 30 June 2015 £'000
(Loss)/profit after taxation	**(7,719)**	414,553
Items that may be reclassified in the Consolidated Income Statement		
Exchange differences on translation of foreign operations	**764**	(300)
Total comprehensive (loss)/income for the period	**(6,955)**	414,253
Attributable to:		
Equity holders of the parent	**(6,906)**	414,225
Non-controlling interests	**(49)**	28
From (loss)/profit for the period	**(6,955)**	414,253

Condensed Consolidated Statement of Financial Position

as at 30 June 2016

	Note	**At 30 June 2016 £'000**	At 31 December 2015 £'000
Non-current assets			
Goodwill		**29,556**	28,377
Other intangible assets		**6,980**	7,539
Property, plant and equipment		**8,040**	7,440
Interests in associates		**-**	86
		44,576	43,442
Current assets			
Inventories		**858**	871
Trade and other receivables	7	**62,818**	66,169
Corporation tax assets		**1,315**	8,165
Cash		**93,848**	103,200
		158,839	178,405
Assets of disposal group classified as held for sale		**-**	3,382
Total current assets		**158,839**	181,787
Total assets		**203,415**	225,229
Current liabilities			
Cumulative redeemable preference shares		**(503)**	(427)
Borrowings		**(150)**	(154)
Trade and other payables	8	**(19,457)**	(32,343)
Deferred income		**(10,380)**	(9,324)
Obligations under finance leases		**(133)**	(144)
Provisions		**(34,883)**	(36,704)
		(65,506)	(79,096)
Liabilities of disposal group classified as held for sale		**-**	(3,534)
Total current liabilities		**(65,506)**	(82,630)
Non-current liabilities			
Deferred income		**(330)**	-
Cumulative redeemable preference shares		**(5,970)**	(4,816)
Obligations under finance leases		**(17)**	(64)
Provisions		**(857)**	(306)
Deferred tax liabilities		**(107)**	(304)
		(7,281)	(5,490)
Total liabilities		**(72,787)**	(88,120)
Net assets		**130,628**	137,109
Equity			
Share capital	11	**4,604**	4,596
Other reserves		**147,755**	146,626
Retained earnings		**(22,392)**	(14,722)
Equity attributable to equity holders of the parent		**129,967**	136,500
Non-controlling interests		**661**	609
Total equity		**130,628**	137,109

Company Registration Number: 05542221

Condensed Consolidated Cash Flow Statement

for the period ended 30 June 2016

	Note	**Six months ended 30 June 2016 £'000**	Six months ended 30 June 2015 £'000
Cash flows from operating activities			
Cash outflows from operations before exceptional and non-underlying items, net finance expense and tax	12	**(8,626)**	(50,293)
Non-underlying cash outflows excluding discontinued operations		**(732)**	(6,616)
Exceptional cash outflows		**(9,487)**	1,691
Cash used in operations before net finance expense and tax		**(18,845)**	(55,218)
Corporation tax received/(paid)		**6,847**	(83)
Net cash used by operating activities		**(11,998)**	(55,301)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2,661)**	(3,247)
Purchase of intangible fixed assets		**(188)**	(3,902)
Proceeds on disposal of property, plant and equipment		**-**	3,875
Disposal of subsidiaries net of cash foregone		**4,013**	578,920
Acquisition of subsidiaries net of cash acquired		**-**	352
Disposal of associated undertakings		**86**	7,069
Net cash generated by investing activities		**1,250**	583,067
Cash flows from financing activities			
Net finance income/(expense)		**807**	(903)
Issue of share capital		**8**	-
Finance lease repayments		**(58)**	(1,829)
Additional secured loans		**-**	766
Repayment of secured loans		**-**	(30,329)
Sale of shares treated as held in treasury		**-**	2,746
Repayment of unsecured loans		**-**	(191)
Net cash generated from/(used by) financing activities		**757**	(29,740)
Net (decrease)/increase in cash and cash equivalents		**(9,991)**	498,026
Cash and cash equivalents at the beginning of the period		**103,839**	50,482
Exchange losses on cash and cash equivalents		**-**	(137)
Cash and cash equivalents at the end of the period		**93,848**	548,371

Notes to the Interim Statements

1. Preparation of the condensed consolidated financial information

Basis of preparation

The interim financial statements for the six months ended 30 June 2016 have been prepared in accordance with the AIM Rules and the recognition and measurement requirements of IFRSs as adopted by the EU. The interim financial information should be read in conjunction with the Group's Annual Report and Financial Statements for the year ended 31 December 2015, which has been prepared in accordance with IFRSs as adopted by the EU.

The comparative figures for the financial year ended 31 December 2015 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was qualified in respect of a limitation in the scope of their work and contains statements under section 498 (2) and (3) of the Companies Act 2006, concerning the keeping of adequate books and records and the provision of information and explanations that the auditor considered necessary for the purpose of their audit.
The Group's business activities together with the factors that are likely to affect its future developments, performance and position are set out in the Chairman's Statement and Group Chief Executive's Update. The interim financial statements were approved by the Board of Directors on 15 September 2016.

Going Concern

The Group has significantly reduced its working capital requirements through the disposal of a number of non-core, loss making businesses. 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.

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.

Statement of Directors' responsibilities

The Directors confirm that, to the best of their knowledge, this condensed set of consolidated financial statements have been prepared in accordance with the AIM Rules.

Significant Accounting Policies

The accounting policies applied by the Group in these interim consolidated financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations as of 1 January 2016, which did not have any impact on the accounting policies, financial position or performance of the Group, as noted below:

- Annual Improvements to IFRSs – 2010-2012 Cycle
- Annual Improvements to IFRSs – 2011-2013 Cycle

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, management has made a number of judgements, and the preparation of financial statements 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 period. 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 30 June 2016 that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the current financial year are discussed below.

Recognition of revenue

Revenues are recognised in-line with the delivery and receipt of services to and for our customers. Each revenue type is considered separately and revenue is recognised when the customer has received the service, the amount of revenue be reliably measured and conversion of the revenue in to cash or other economic benefit can be assured. These considerations are applied to both ongoing core service activities and one off contracts that are entered into.

Intangible assets

The Directors last reviewed the carrying value of intangible assets, comprising goodwill and other intangible assets, as at 31 December 2015 and the key elements of this review are contained in Notes 15 and 16 to the Group's Annual Report and Financial Statements for the year ended 31 December 2015. No indications of possible additional impairment have been identified as at 30 June 2016.

Identification of discontinued operations

The Group classifies the results of component business as discontinued where they are considered to relate to a separate major line of business or geographical area and have also either been disposed of, or are classified as held for sale.

Consideration receivable for the Professional Services Division

£55,000,000 of the PSD sale consideration was placed in temporary escrow accounts, £50,000,000 of this remains outstanding at 30 June 2016 and the Company has had to determine how much will be released. Total consideration for the sale of the PSD also includes deferred, contingent cash consideration and the Company has had to determine the fair value of this contingent consideration.

Provisions

The Group is aware of a number of legal and regulatory matters which, by their nature, are subject to significant judgement and uncertainty. 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. However, the likely cost to the Group of the Serious Fraud Office ("SFO") investigation and any group litigation which may potentially be brought against the Group is subject to a number of significant uncertainties and these cannot currently be estimated reliably. Accordingly, no provision has been made in respect of these matters.

Deferred tax in connection with the continuing business operations

Other taxable losses have arisen during the year ended 31 December 2015 and the six months ended 30 June 2016 which have the potential to give rise to a deferred tax asset. This asset has not been recognised due to the extent of the continuing business losses incurred in the six months ended 30 June 2016 including head office costs, and the developing nature of the continuing businesses such that the expectation of profitability at sufficient quantum was not sufficiently certain within a reasonable timeframe.

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 European Securities and Markets Authority on the reporting of non-underlying results.

3. Key performance indicators

	Six months ended 30 June 2016 £'000	Six months ended 30 June 2015 £'000
Revenue:		
Hubio	**8,917**	8,059
Ingenie	**7,025**	5,217
Healthcare services	**13,553**	12,944
Other	**2,420**	2,564
Total underlying revenue	**31,915**	28,784
Underlying gross profit margin	**46.3%**	35.1%
Underlying EBITDA before capitalisation of development expenditure	**(6,924)**	(13,831)
Underlying group operating loss	**(8,090)**	(13,604)
Underlying basic earnings (pence per share) from continuing operations	**(31.9)**	(51.7)

	30 June 2016 £'000	31 December 2015 £'000
Cash (continuing businesses)	**93,848**	103,200

* Depreciation added back above when calculating Underlying EBITDA from continuing operations excludes depreciation on telematics devices of £1,571,000 (2015: £1,340,000) which is included within cost of sales.

4. Segmental reporting

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

Within the results of the discontinued operation are the PSD, disposed of to Slater and Gordon UK (1) Limited ("S&G") in May 2015, and Quintica Holdings Limited ("Quintica") and Property Services.

Segment information about these businesses is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Intra-segmental transactions have been eliminated in analysis below.

	Hubio £'000	Ingenie £'000	Healthcare services £'000	Other £'000	Central £'000	Total £'000
Six months ended 30 June 2015						
Revenue	8,059	5,217	12,944	2,564	-	28,784
Cost of sales	(5,049)	(3,885)	(7,228)	(2,515)	-	(18,677)
Gross profit	3,010	1,332	5,716	49	-	10,107
Administrative expenses excluding depreciation and amortisation*	(9,698)	(2,384)	(6,067)	(1,265)	(4,524)	(23,938)
Underlying EBITDA before central cost allocation and capitalisation of development expenditure	(6,688)	(1,052)	(351)	(1,216)	(4,524)	(13,831)
Allocation of central costs	(583)	(72)	(84)	(290)	1,029	-
Underlying EBITDA before capitalisation of development expenditure	(7,271)	(1,124)	(435)	(1,506)	(3,495)	(13,831)
Capitalisation of development expenditure	3,101	237	263	-	-	3,601
Underlying EBITDA after capitalisation of development expenditure	(4,170)	(887)	(172)	(1,506)	(3,495)	(10,230)
Depreciation and amortisation*						(3,374)
Underlying group operating loss						(13,604)
Net finance expense						(502)
Underlying group loss before tax						(14,106)
Non-underlying adjustments						(18,226)
Total group loss before tax from continuing operations						(32,332)
Six months ended 30 June 2016						
Revenue	**8,917**	**7,025**	**13,553**	**2,420**	**-**	**31,915**
Cost of sales	**(4,254)**	**(3,787)**	**(7,227)**	**(1,856)**	**-**	**(17,124)**
Gross profit	**4,663**	**3,238**	**6,326**	**564**	**-**	**14,791**
Administrative expenses excluding depreciation and amortisation*	**(8,297)**	**(2,456)**	**(5,879)**	**(1,083)**	**(4,000)**	**(21,715)**
Underlying EBITDA before central cost allocation and capitalisation of development expenditure	**(3,634)**	**782**	**447**	**(519)**	**(4,000)**	**(6,924)**
Allocation of central costs	**(1,035)**	**(291)**	**(189)**	**(190)**	**1,705**	**-**
Underlying EBITDA before capitalisation of development expenditure	**(4,669)**	**491**	**258**	**(709)**	**(2,295)**	**(6,924)**
Capitalisation of development expenditure	**-**	**78**	**110**	**-**	**-**	**188**
Underlying EBITDA after capitalisation of development expenditure	**(4,669)**	**569**	**368**	**(709)**	**(2,295)**	**(6,736)**
Depreciation and amortisation*						**(1,354)**
Underlying group operating loss						**(8,090)**
Net finance income						**545**
Underlying group loss before tax						**(7,545)**
Non-underlying adjustments						**(683)**
Total group loss before tax from continuing operations						**(8,228)**

* Depreciation added back above when calculating Underlying EBITDA from continuing operations excludes depreciation on telematics devices of £1,571,000 (2015: £1,340,000) which is included within cost of sales.

5. Non-underlying administrative expenses

	Six months ended 30 June 2016 £'000	Six months ended 30 June 2015 £'000
Exceptional items:		
- Corporate restructuring	**-**	5,799
- Business restructuring	**(333)**	21
- Legal and regulatory	**(1,594)**	(3,046)
- Impairments of non-cash assets	**-**	4,571
Total exceptional items	**(1,927)**	7,345
Other adjustments:		
- Share based payments	**481**	6,776
- Amortisation of acquired intangibles	**1,365**	4,350
- Other non-underlying administrative expenses	**950**	2,681
Total other adjustments	**2,796**	13,807
Total non-underlying administrative expenses	**869**	21,152

Business restructuring includes costs in relation to the creation of Hubio and the revised structure of the group and is stated after taking in to account the release of unused provisions and accruals of £1,574,000 (2015: nil)

The legal and regulatory credit of £1,594,000 for the period ended 30 June 2016 are stated after taking into account the release of unused provisions and accruals of £2,046,000 (2015: £1,288,000), which were created in previous periods.

Other non-underlying administrative expenses relate principally to central costs associated with discontinued operations and other costs associated with closure of Ingenie's Canadian operations.

6. Other income

	Six months ended 30 June 2016 £'000	Six months ended 30 June 2015 £'000
Rental Income	**186**	-
Net gain on disposal of 360 GlobalNet	**-**	**2,848**
	186	**2,848**

7. Trade and other receivables

	30 June 2016 £'000	31 December 2015 £'000
Trade receivables (net of impairment provision)	**7,475**	6,477
Monies held in Escrow	**50,076**	55,049
Other receivables	**2,901**	2,405
Prepayments	**1,944**	1,930
Accrued income	**422**	308
	62,818	66,169

8. Trade and other payables

	30 June 2016 £'000	31 December 2015 £'000
Current liabilities		
Trade payables	**4,049**	5,488
Payroll and other taxes including social security	**835**	3,695
Accruals	**10,220**	15,921
Other liabilities	**4,353**	7,239
	19,457	32,343

9. Disposals

BE Insulated (UK) Limited and Carbon Reduction Company

The sale of the BE Initial Limited (formerly BE Insulated (UK) Limited, "BEI") and BE Insulated Limited (formerly Carbon Reduction Company, "CRC) completed on 7 January 2016 for a nominal consideration of £1 to The BE Smart Group Limited (a company owned by Ben Williams, a statutory director of BEI and CRC) ("BEI Agreement"). Following the completion of the BEI Agreement, the Group ceased to operate directly in the property and maintenance services sector.

The results of these businesses have therefore been disclosed as discontinued activities on the face of the Condensed Consolidated Income Statement and related notes. Amounts in the Condensed Consolidated Statement of Financial Position relating to these businesses are classified as held for sale at 31 December 2015.

IFRS 5 requires the disposal group to be measured at the lower of its carrying value and its fair value less costs to sell. Accordingly, as at 31 December 2015, the carrying value of these businesses was written down to realisable value and a goodwill impairment charge of £4.2 million was recognised in the discontinued activities in the year ended 31 December 2015. The subsequent profit arising on sale in the period ended 30 June 2016 is as follows:

	30 June 2016 £'000
Sales proceeds	**-**
Net liabilities at disposal	**302**
Expenses and other costs of sale	**(55)**
Profit arising on sale	**247**

Quintica Holdings Limited

On 4 March 2016, the Group disposed of the entire issued share capital of Quintica Holdings Limited to Quintica International Holdings Inc ("QIH") for approximately £1.35 million (the "Quintica Agreement"). In addition, the Company will be entitled to additional consideration in the event that Quintica is disposed of (in whole or part) by QIH in the year following completion of the transaction.

The results of this business has therefore been disclosed as discontinued activities on the face of the Condensed Consolidated Income Statement and related notes. Amounts in the Condensed Consolidated Statement of Financial Position relating to this business are classified as held for sale at 31 December 2015.

IFRS 5 requires the disposal group to be measured at the lower of its carrying value and its fair value less costs to sell. Accordingly, as at 31 December 2015, the carrying value of this business was written down to realisable value and a goodwill impairment charge of £4.2 million was recognised in the discontinued activities in the year ended 31 December 2015.

The subsequent profit arising on sale in the period ended 31 June 2016 is as follows:

	30 June 2016 £'000
Sales proceeds	**1,376**
Net assets at disposal	**(1,259)**
Expenses and other costs of sale	**(41)**
Profit arising on sale	**76**

2015 Disposal of the Professional Services Division ("PSD")

On 29 May 2015, the Group disposed of the PSD (i.e. its interests in its legal, claims management and health service businesses) to Slater and Gordon UK (1) Limited for a total consideration of £644,867,000, of which £55,000,000 was retained in escrow, together with further contingent cash consideration payable in respect of the future settlement of its clients' noise induced hearing loss ("NIHL") cases.

Of the £55,000,000 held in escrow, £5,000,000 related to a completion mechanism, of which £3,805,000 was received in the six months ended 30 June 2016. The remaining £50,000,000 is reserved in a joint escrow account for any warranty claims. The Company has not been made aware of any claims or potential claims and therefore anticipates that the remaining £50,000,000 will be released in November 2016.

Given the inherent uncertainties of the NIHL business line, the parties could not agree on an appropriate valuation at completion and so the agreement provides that the Group will receive 50% of the net after tax receipts (after allowing for administrative costs) collected on the NIHL cases outstanding at completion. Approximately 53,000 NIHL cases were active and transferred at completion. Such amounts will be determined on a six monthly basis commencing on 31 December 2015. The process will continue until 30 June 2017 when a terminal value projection of expected receipts will be agreed. If no agreement is reached, the process will continue with payments every six months until the earlier of the date when a terminal value is agreed or 31 December 2018. Based on an assessment of the costs that S&G will need to incur to pursue the NIHL cases and the potential outcome of the NIHL cases, the fair value of the contingent consideration has been determined as £nil.

Other

In February 2016 the Group disposed of its interest in its associate, Ferneham Health Limited for £86,000 consideration.

10. 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 significant 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. The Group is co-operating fully with the SFO investigation, at this stage, the timing of completion of the SFO investigation and its conclusions cannot be anticipated. Therefore, having taken external advice, no liability has been recognised at the balance sheet date as it is not possible to reliably estimate a provision (if any) in respect of this matter.

On 14 December 2015, the Company received a letter of claim from a law firm ("Claimant Firm") acting for 342 claimants commencing an action against the Company under the Financial Services and Markets Act 2000 ("Letter of Claim"). Despite the Company's endeavours in correspondence with the Claimant Firm, the Company is yet not in a position to verify the assertions in the Letter of Claim which, inter alia, details the expected value of the potential claims against the Company to be approximately £9.4 million. However, 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.

11. Share capital

	30 June 2016		31 December 2015	
	Number 000's	**Nominal value £'000**	Number 000's	Nominal value £'000
Issued and fully paid shares:	**45,926**	**4,593**	45,851	4,585
Issued and not fully paid	**112**	**11**	112	11
At the end of the period	**46,038**	**4,604**	45,963	4,596

On 18 June 2014, the Company issued 16,899,321 ordinary shares of 1 pence to TMC (Southern) Ltd ("TMC"). The shares remain unpaid as at the statement of financial position date. It is the intention of the Group to seek the forfeiture of the shares in accordance with the Articles of Association of the Company. In the event that the shares are forfeited, then it is intended that the shares will be cancelled and no further amounts will be receivable from TMC.

12. Cash flow from operating activities

	Six months ended 30 June 2016 £'000	Six months ended 30 June 2015 £'000
(Loss)/profit after tax	**(7,719)**	414,553
Tax	**(193)**	(898)
Finance expense	**421**	493
Finance income	**(960)**	(336)
Operating loss	**(8,451)**	413,812
Adjustments for:		
Non underlying cash out flows excluding discontinued operations	**10,219**	4,925
Share-based payments	**463**	13,911
Depreciation of property, plant and equipment	**2,038**	1,279
Amortisation of intangible assets	**2,235**	8,494
Impairment of goodwill	**-**	4,571
Loss on disposal of plant, property and equipment	**643**	-
Profit on disposal of interests in subsidiary undertakings and operations (note 9)	**(323)**	(488,705)
Operating cash flows before movements in working capital and provisions	**6,824**	(41,713)
Decrease in inventories	**13**	114
Increase in trade and other receivables	**(2,060)**	(26,978)
(Decrease)/increase in trade and other payables	**(13,403)**	18,284
Cash outflows from operations before exceptional and non-underlying items, net finance expense and tax	**(8,626)**	(50,293)

13. Post balance sheet events

In August 2016 the Group ceased trading in its loss making subsidiary Maine Finance.

Officers and Advisors

Directors

Richard Rose – Non-Executive Chairman
Indro Mukerjee – Chief Executive Officer
Mark Williams – Chief Financial Officer
David Currie – Non Executive
Tony Illsley – Non Executive
The Rt Hon Lord Howard of Lympne – Senior Non Executive
David Young – Non Executive

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