

Company Number
04500346

Hubio Technologies Limited
FINANCIAL STATEMENTS
for the year ended 31 December 2015

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Officers and Professional Advisors

Directors

Mr A Passfield
Mr M Williams

Secretary

Mr E Walker

Registered Office

1 Barnes Wallis Road
Segensworth East
Fareham
Hampshire
PO15 5UA

Bankers

Royal Bank of Scotland Plc
Abbey Gardens
4 Abbey Street
Reading
RG1 3BA

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Solicitor

Dorsey & Whitney
199 Bishopsgate
London
EC2M 3UT

Strategic Report

Business Review

The principal activity of the Company is the provision of a range of software products with associated product maintenance and consulting services to clients in the insurance arena.

Watchstone Group's much publicised issues from mid-2014 onwards led to a fall in new customers gained by the Company in that year. This has directly resulted in a decrease in man-time services revenues in 2015 as revenue from new customer projects decreased from £4,649k in 2014 to £1,812k in 2015.

Operating loss increased from (£1,328k) in 2014 to (£6,352k) in 2015 due to the fall in man-time service revenues explained above and the increase in exceptional costs from (£505k) in 2014 to (£3,199k) in 2015. The exceptional costs increase was due primarily to the £2,947k (2014: nil) impairment of intangible assets.

Key performance indicators

The Directors use a number of measures to determine the performance of the Company. Of these, the principal key performance indicators are:

• Revenue:	£4.7 million	(2014: £7.4 million)
• Gross Profit Margin:	50%	(2014: 38%)
• Adjusted EBITDA (note 5):	(£1,531,000)	(2014: £370,000)
• Adjusted Loss Before Taxation (note 5):	(£2,898,000)	(2014: £663,000 loss)
• Adjusted Operating Cash Flow (note 22):	£6.8 million inflow	(2014: £18.1 million outflow)

Future developments

The Company continues to operate in the same markets with the same products.

Principal risks and uncertainties

The Company 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.

Technological change

The markets for the Company's services can be affected by technological changes, resulting in the introduction of new products, evolving industry standards and changes to customer behaviour and expectations. The Company regularly monitors trends in technological advancement so as 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 sustained basis.

Key personnel and resources

The success of the Company 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 Company will continue to seek to mitigate this resource risk by investing in and developing staff training programmes, competitive reward and compensation packages, incentive schemes and succession planning.

Liquidity risk

The Company expects to manage liquidity within its cash capacity. The Company actively forecasts, manages and reports its working capital requirements, including conducting sensitivity analyses on a regular basis to ensure that it has sufficient funds for its operations.

Market conditions

Market conditions, including general economic conditions and their effect on exchange rates, interest rates and inflation rates, may impact the ultimate value of the Company regardless of its operating performance. The Company also faces competition from other organisations, some of which may have greater resources than the Company, or be more established in a particular territory or product area. The Company's strategy is to target a balance of markets, offering a range of tailored or specialised products and services.

By order of the Board

A handwritten signature in black ink, appearing to read 'Mark Williams', with a long horizontal flourish extending to the right.

Mark P Williams

Director

30 September 2016

Directors' Report

The Directors present their report and Financial Statements for the year ended 31 December 2015.

Change of name

The Company changed its name to Hubio Technologies Limited from Quindell Enterprise Technology Solutions Limited on 20 January 2016.

Dividends

The Directors do not recommend the payment of a final dividend (2014: £nil).

Directors and Company Secretary

The names of the current Directors are shown on page 3. The Directors who served during the year are as follows:

Mr R Fielding (resigned 29 May 2015)

Mr L Moorse (resigned 29 May 2015)

Mr A Passfield

Mr M Sargeant (resigned 18 March 2016)

Mr M Williams (appointed 29 May 2015)

Mr E Walker served as Company Secretary throughout the year.

Political donations

The Company did not make any political donations in the year (2014: £nil).

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company is also part of the Watchstone group of companies (the "Group"), and as such has a degree of reliance on the Group for its working capital. The Group has available to it considerable financial resources, and a robust balance sheet.

The directors have reviewed the working capital requirements of the company and no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern have been identified by the directors. Consequently, as a result of the Company's own position, combined with that of the Group, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements. The directors have received assurances from the Company's parent company that adequate resources will continue to be made available to meet the company's requirements to settle its liabilities for a period of at least 12 months from the approval of these financial statements.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and 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 they have elected to prepare the Financial Statements in accordance with IFRSs as adopted by the EU and applicable law.

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 Company and of their profit or loss for that period. In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, 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 its Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be reappointed and KPMG LLP will therefore continue in office.

Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that:

- a) so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and
- b) each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information 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.

By order of the Board



Mark P Williams

Director

30 September 2016

Independent Auditor's Report to the members of Hubio Technologies Limited

We have audited the financial statements of Hubio Technologies Limited for the year ended 31 December 2015 set out on pages 10 to 30. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the 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 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 company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Basis for qualified opinion on financial statements

Limitation in scope with respect to the loss for the year ended 31 December 2014

The audit evidence available to us was limited in respect of the Company's loss for the year ended 31 December 2014 in the following areas:

- As explained in Note 29 of the financial statements, the current Directors took into account all available information in the application of the company's accounting policies and in forming judgments and undertook extensive investigations over certain historical transactions. The current Directors in preparing the 31 December 2014 financial statements amended the accounting and disclosure of these transactions based on the limited information that had been made available to them including that which has now been made available by former members of management and others in response to enquiries by them and by us and which was not part of company's records and had not previously been made available to us.

In a number of respects this information contradicted representations previously made to us by former members of management and former Directors as well as information contained in the company's accounting records and called into doubt the previously adopted accounting treatments of these transactions and/or the values that were attributed to the transactions. The current Directors explain that, whilst they have made all reasonable efforts to identify all relevant information that could impact on the accounting, including making requests for information to the former management team, the intention or commercial purpose of certain of these transactions and/or the values to attribute to the transactions remain unclear. We have not identified alternative evidence that would allow us to resolve this.

Owing to the deficiencies in the company's records in these regards and the significant doubts we now have over representations we received from former members of management and former Directors, we were unable to obtain sufficient appropriate audit evidence regarding these matters, which might have a material effect on the company's loss for the year ended 31 December 2014.

We qualified our audit opinion on the financial statements for the year ended 31 December 2014 with regard to the same limitations.

Independent Auditor's Report to the members of Hubio Technologies Limited

(continued)

Qualified opinion on financial statements

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2015.

In our opinion, except for the possible effect solely on the comparative information for the year ended 31 December 2014 of the matters described in the basis for qualified opinion on Financial Statements paragraphs, the Financial Statements:

- give a true and fair view of the company's loss for the year ended 31 December 2015;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

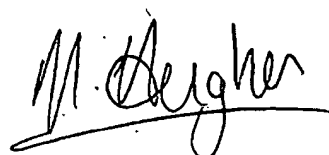
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

In respect solely of the limitations on our work described above that affect the comparative information in respect of the Company's loss for the year ended 31 December 2014, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made.



Neil Hughes (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

30 September 2016

Financial Statements

Statement of Comprehensive Income

for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Revenue		4,740	7,410
Cost of sales		(2,380)	(4,601)
Gross Profit		2,360	2,809
Administrative expenses			
- Normal		(5,258)	(3,471)
- Share based payments		(255)	(161)
- Exceptional costs	7	(3,199)	(505)
Total administrative expenses		(8,712)	(4,137)
Operating loss	6	(6,352)	(1,328)
Finance expense	9	-	(1)
Loss before taxation		(6,352)	(1,329)
Taxation	10	392	158
Loss for the year from continuing operations		(5,960)	(1,171)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Comprehensive expense for the year		(5,960)	(1,171)

The notes on pages 13 to 30 form part of these financial statements.

Statement of Financial Position

as at 31 December 2015

	Note	2015 £'000	2014 £'000
Non-current assets			
Intangible assets	11	1,556	4,702
Property, plant and equipment	12	198	113
		1,754	4,815
Current assets			
Trade and other receivables	13	7,176	17,815
Corporation tax assets		6,030	6,031
Cash	14	593	-
		13,799	23,846
Total assets		15,553	28,661
Current liabilities			
Bank overdraft	14	-	(4,968)
Trade and other payables	15	(18,589)	(20,615)
Provisions	17	-	(213)
		(18,589)	(25,796)
Non-current liabilities			
Trade and other payables	15	(134)	(190)
Deferred tax liabilities	18	(271)	(663)
		(405)	(853)
Total liabilities		(18,994)	(26,649)
Net (liabilities)/assets		(3,441)	2,012
Equity			
Share capital	19	17	17
Share premium account	20	962	962
Capital contribution reserve	20	1,930	1,423
Retained earnings		(6,350)	(390)
Total equity		(3,441)	2,012

The notes on pages 13 to 30 form part of these financial statements.

The Financial Statements of Hubio Technologies Limited, registered number 04500346, on pages 10 to 30 were approved and authorised for issue by the Directors on 30 September 2016 and signed on its behalf by:



Mark P Williams
Director

Statement of Changes in Equity

for the year ended 31 December 2015

	Share capital £'000	Share premium account £'000	Capital contribution reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2015	17	962	1,423	(390)	2,012
Loss for the year	-	-	-	(5,960)	(5,960)
Share based payments	-	-	507	-	507
At 31 December 2015	17	962	1,930	(6,350)	(3,441)
At 1 January 2014	17	962	757	781	2,517
Loss for the year	-	-	-	(1,171)	(1,171)
Share based payments	-	-	666	-	666
At 31 December 2014	17	962	1,423	(390)	2,012

The notes on pages 13 to 30 form part of these financial statements.

Cash Flow Statement

for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Cash flows from operating activities			
Cash generated from/(used by) operations before finance expense and tax	22	6,814	(18,076)
Finance expense paid		-	(1)
Corporation tax paid		-	(6,284)
Cash generated from/(used by) operating activities		6,814	(24,361)
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(177)	(51)
Purchase of intangible fixed assets	11	(1,076)	(1,286)
Net cash used in investing activities		(1,253)	(1,337)
Cash flows from financing activities			
Repayment of secured loans	23	-	(70)
Net cash used in financing activities		-	(70)
Net increase/(decrease) in cash and cash equivalents	23	5,561	(25,768)
Cash and cash equivalents at the beginning of the year	23	(4,968)	20,800
Cash and cash equivalents at the end of the year	14	593	(4,968)

The notes on pages 13 to 30 form part of these financial statements.

Notes to the Financial Statements

1. General information

Hubio Technologies Limited is a 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 1 Barnes Wallis Road, Segensworth East, Fareham, Hampshire, PO15 5UA. The nature of the Company's operations and its principal activities are set out on page 4.

2. 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"). The Financial Statements have been prepared under the historical cost convention. A summary of the significant Company accounting policies, which have been applied consistently across the Company, 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.

Going Concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company is also part of the Watchstone group of companies (the "Group"), and as such has a degree of reliance on the Group for its working capital. The Group has available to it considerable financial resources, and a robust balance sheet.

The directors have reviewed the working capital requirements of the company and no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern have been identified by the directors. Consequently, as a result of the Company's own position, combined with that of the Group, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements. The directors have received assurances from the Company's

parent company that adequate resources will continue to be made available to meet the company's requirements to settle its liabilities for a period of at least 12 months from the approval of these financial statements.

Revenue recognition

The Company is in the Hubio segment of Watchstone Group Plc and receives income through Software Initial Licence Fee, Software as a Service ("SaaS"), consulting fees, management charges, membership fees, e-commerce revenues, click fees and other success based one-time fees. Intellectual property rights ("IPR") or distribution rights to IPR are sold and recognised on the delivery of IPR or granting of the rights to the customer. When selling software, new solution sales typically involve software licences being sold together with Post-Contract Customer Support ("PCS") services and/or implementation services. Where the commercial substance of such a combination is that the individual components operate independently of each other and fair values can be attributed to each of the components, each are then recognised in accordance with their respective policies described below. Where it is not possible to attribute reliable fair values to two or more components, these are viewed as a combination and revenue is recognised on the combined revenue streams as the combined service is delivered using the percentage of completion method. Provisions for estimated losses on uncompleted contracts are recorded in the year in which such losses become probable, based on contract cost estimates.

When selling products such as telematics devices, a sale is recognised when legal title has passed to the customer. This may be under bill and hold style arrangements when agreed with the customer.

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

Initial licence fees, SaaS and other success based one-time fees

Revenues are recognised when pervasive evidence of an arrangement exists, 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. On certain SaaS contracts where there are fixed and contracted term lengths and no other services are required to be performed during the remainder of the contract, receivables under the contracts are recognised at the point of sale.

Maintenance, hosting and other PCS services

Maintenance, hosting and PCS services are billed on a periodic basis in advance. The Company recognises revenue on these services evenly over the period of the contract.

Solution delivery implementation services

Revenues for all fixed fee contracts are recognised on a percentage complete basis. The Company calculates the percentage to complete by comparing the number of man days utilised at the period end with the total number of man days required to complete the project. Project plans are reviewed on a regular basis with any losses recognised immediately in the period in which such losses become probable based on contract cost estimates.

Marketing expenses

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

Operating loss

Operating loss is loss stated before finance income, finance expense and tax.

Retirement benefit costs

The Company 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 Company 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 Company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred. Borrowing costs have not been capitalised on the grounds of materiality as the business has not developed any significant qualifying assets.

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 scheme is settled by the parent company, Watchstone Group Plc, and the costs credited to the capital contribution reserve of the Company.

Post combination vendor remuneration

Where consideration towards an acquisition is linked to ongoing employment within the Company this consideration is treated as post combination remuneration and is recognised in the Statement of Comprehensive Income over the period in which the employment services are delivered. The valuation of such amounts, where the form of the payment is in shares, uses an option valuation model.

Foreign currency translation

The functional and presentational currency of the Company is 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.

Intangible assets

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

- Intellectual property rights, software and licences: between 3-10 years;

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

Impairment of tangible fixed assets and intangible assets

At each Statement of Financial Position date, the Company 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. 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 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 ("CGU"). 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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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. Assets are evaluated annually against IAS 38 for any impairment and where identified are written down immediately in line with IAS 38.

Property, plant and equipment

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

- Improvement to leasehold land and buildings: Over the term of the lease
- Plant and equipment: 20%-33% per annum reducing balance

Assets in the course of construction are capitalised as expenditure is incurred. Depreciation is not charged until the asset is brought into use. 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.

Leases

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

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.

Trade payables

Trade payables do not carry any interest. They are recognised initially at fair value and 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.

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 Statement of Comprehensive Income 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.

3. Adoption of new and revised Standards

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

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

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 2015, 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 15	'Revenue from contracts with customers'.
IFRS 16	'Leases'.

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 judgments. In the process of applying the Company'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.

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 can 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.

Capitalisation of internally generated development costs

The Company capitalises internally generated development costs where these can be clearly and fully assessed against IAS 38 as per the policy laid out in note 2. Such costs are clearly and separately identifiable by developed saleable product, with all products assessed against IAS 38. Such assessment is continuous. The amount capitalised for 2015 is laid out in note 11.

Impairment of intangible assets

The Company determines whether intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of each intangible asset or of the cash-generating unit to which the intangible asset is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the intangible asset or cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

5. Key performance indicators

	Note	2015 £'000	2014 £'000
Revenue:			
Revenue	2	4,740	7,410
Total revenue		4,740	7,410
Adjusted EBITDA:			
Loss before taxation		(6,352)	(1,329)
Depreciation	12	92	17
Amortisation	11	1,275	1,015
Share based payments	24	255	161
Exceptional costs	7	3,199	505
Finance expense	9	-	1
Adjusted EBITDA		(1,531)	370
Adjusted loss before taxation			
Loss before taxation		(6,352)	(1,329)
Share based payments	24	255	161
Exceptional costs	7	3,199	505
Adjusted loss before taxation		(2,898)	(663)

6. Operating loss

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

	2015 £'000	2014 £'000
Depreciation of property, plant and equipment	92	17
Amortisation of intangible assets	1,275	1,015
Operating lease rentals	12	116
Net foreign exchange gains	(322)	(215)
Staff costs (note 8)	4,648	3,748

Audit fees of £22,000 (2014: £13,000) in the current year were borne by its ultimate parent, Watchstone Group Plc.

7. Exceptional costs

	2015 £'000	2014 £'000
Post combination vendor remuneration (share element)	252	505
Impairment of intangible fixed assets	2,947	-
	3,199	505

Costs are classified as exceptional where they are not incurred in the ordinary course of business and are expected to be non-recurring.

Further information is included in note 24 in relation to the share based payment charges above treated as vendor remuneration.

8. Employee and staff costs

The average number of employees during the year including directors was as follows:

	2015 Number	2014 Number
Front office technology, consulting and outsourcing	14	19
Back office management and administration	54	50
	68	69

The remuneration of the directors was as follows:

	2015 £'000	2014 £'000
Directors' remuneration	549	277
Amounts receivable under long term incentive plans	9	8
	558	285

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director were £279,000 (2014: £139,000), and company pension contributions of £4,000 (2014: £4,000) were made to a money purchase scheme on his behalf. During the year, the highest paid director exercised share options and received shares under a long term incentive scheme. Retirement benefits were accruing under schemes in respect of 2 of the directors (2014: 2). 2 of the directors received £9,000 remuneration (2014: 2 directors received £8,000 remuneration) in connection with contributions to pension schemes.

The cost of certain of the directors was borne by other group companies. No remuneration is disclosed as the directors' services to the company are insignificant compared to their services to other group companies.

Total employee costs were as follows:

	2015 £'000	2014 £'000
Wages and salaries	4,750	4,128
Social security costs	621	453
Pension costs	98	84
Share based payment charges	255	161
	5,724	4,826

Included in the total above are £1,076,000 (2014: £1,078,000) of salaries which were capitalised during the year.

9. Finance expense

	2015 £'000	2014 £'000
Other interest payable	-	1
Finance expense	-	1

10. Taxation

	2015 £'000	2014 £'000
The taxation credit comprises:		
Current tax:		
- Current year	-	(183)
- Adjustments in respect of prior year	1	(61)
Total current tax	1	(244)
Deferred tax:		
- Origination and reversal of temporary differences	(327)	86
- Adjustments in respect of changes in tax rates	(66)	-
Total deferred tax	(393)	86
Taxation	(392)	(158)

Income tax for the UK is calculated at the standard rate of UK corporation tax of 20.25% (2014: 21.50%) on the estimated assessable loss for the year. The total charge for the year can be reconciled to the accounting profit as follows:

	2015 £'000	2014 £'000
Loss on ordinary activities before tax	(6,352)	(1,329)
Tax at 20.25% (2014: 21.50%) thereon	(1,286)	(286)
Effect of:		
Expenses not deductible for tax purposes	100	138
Unrecognised deferred tax on losses	859	51
Reduction in rate of deferred tax	(66)	-
Adjustments to tax charge in respect of prior periods	1	(61)
Total tax credit for the year	(392)	(158)

Deferred tax assets are recognised for tax losses available for carrying forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Company has recognised deferred tax assets of £nil (2014: £nil) in respect of losses that can be carried forward against future taxable income. There is an unrecognised deferred tax asset of £806,000 (2014: £47,000) in respect of losses that can be carried forward against future taxable income.

Factors affecting future tax charges

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. A further reduction to the UK Corporation tax rate was announced in the 2016 Budget to further reduce the tax rate to 17% (to be effective from 1 April 2020). This will reduce the company's future current tax charge accordingly and would reduce the deferred tax liability at 31 December 2015 by £3,000.

11. Intangible assets

The movement in intangible assets was as follows:

	IPR, software and licences £'000	Total £'000
Cost		
At 1 January 2014	6,029	6,029
Additions – internally generated	1,286	1,286
At 1 January 2015	7,315	7,315
Additions – internally generated	1,076	1,076
At 31 December 2015	8,391	8,391
Amortisation		
At 1 January 2014	1,598	1,598
Charge for the year	1,015	1,015
At 1 January 2015	2,613	2,613
Charge for the year	1,275	1,275
Impairment	2,947	2,947
At 31 December 2015	6,835	6,835
Net book value		
31 December 2015	1,556	1,556
31 December 2014	4,702	4,702

Included in the net book value total are development costs of £1,556,000 (2014: £3,338,000) relating to the Company's technology suite. These are amortised in line with the applicable policy and have up to 5 years remaining (2014: 5 years remaining). A review of the technology suite was carried out at the statement of financial position date and, due to reductions in the expected future revenue which will be generated by the suite, an impairment of £1,750,000 has been made (2014: £nil).

Also included in the net book value total are distribution rights of £nil (2014: £1,364,000). These were impaired in full during the year and therefore there will be no further amortisation (2014: a further 8.2 years amortisation).

During the year ended 31 December 2015, £684,000 of research and development costs was taken directly to profit and loss (2014: £nil).

All of these assets are recognised at fair value at acquisition or cost to purchase and are amortised over their estimated useful lives. The amortisation charge is included within administrative expenses.

12. Property, plant and equipment

	Leasehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2014	49	92	141
Additions	29	22	51
At 1 January 2015	78	114	192
Additions	123	54	177
Disposals	(78)	-	(78)
At 31 December 2015	123	168	291
Depreciation			
At 1 January 2014	1	61	62
Charge for the year	6	11	17
At 1 January 2015	7	72	79
Charge for the year	77	15	92
Disposals	(78)	-	(78)
At 31 December 2015	6	87	93
Net book value			
31 December 2015	117	81	198
31 December 2014	71	42	113

There were no material commitments for the acquisition of property, plant or equipment at either 31 December 2015 or 31 December 2014.

13. Trade and other receivables

	2015 £'000	2014 £'000
Trade receivables (net of impairment provision)	600	1,372
Amounts due from related parties (note 28)	6,402	15,902
Other receivables	7	25
Prepayments	73	153
Accrued income	94	363
	7,176	17,815

The directors consider that the net carrying amount of Trade receivables approximates to their fair value.

14. Cash and cash equivalents

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

	2015 £'000	2014 £'000
Cash	593	-
Bank overdrafts	-	(4,968)
	593	(4,968)

The carrying amount of cash and bank overdrafts approximates to their fair value.

15. Trade and other payables

	2015 £'000	2014 £'000
Current liabilities		
Trade payables	75	214
Amounts due to related parties (note 28)	15,822	17,000
Payroll and other taxes including social security	821	573
Accruals	170	465
Deferred income	1,518	2,179
Other liabilities	183	184
	18,589	20,615
Non-current liabilities		
Deferred income	134	190
	134	190

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.

16. Borrowings

At the Statement of Financial Position date, the Company had committed undrawn borrowing facilities of £5,000,000 (2014: £32,000) in respect of an overdraft facility held in conjunction with other Watchstone Group Plc companies. Security is held by way of guarantees over these and other Watchstone Group Plc companies. The interest rate payable is 2.75% (2014: 2.75%) above base rate.

17. Provisions

	Onerous contracts £'000	Total £'000
At 1 January 2014	-	-
Additional provisions	213	213
At 31 December 2014	213	213
Used during the year	(213)	(213)
At 31 December 2015	-	-

Onerous contracts

Where contracted income is expected to be less than the related expected expenditure the difference is provided in full. The timing and amount of these items can be reasonably determined. In 2015 the Company has identified no such contract (2014: one such contract with Glanty Limited and a full provision was made accordingly).

18. Deferred tax

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

	Accelerated capital allowances £'000	Provisions and other temporary differences £'000	Total £'000
At 1 January 2014	578	(1)	577
Charge to Income Statement	88	(2)	86
At 1 January 2015	666	(3)	663
Credit to Income Statement	(392)	-	(392)
At 31 December 2015	274	(3)	271
		2015 £'000	2014 £'000
Deferred tax liabilities		274	666
Deferred tax assets		(3)	(3)
		271	663

At the Statement of Financial Position date, there are unrecognised deferred tax assets of £806,000 (2014: £47,000).

19. Share capital

	2015		2014	
	Number 000's	Nominal value £'000	Number 000's	Nominal value £'000
1,740,879 issued and fully paid shares:	1,741	17	1,741	17
At the start and end of the year	1,741	17	1,741	17

The Company has one class of Ordinary Shares of one pence each which carry no right to fixed income.

20. Reserves

Share premium account

The share premium account represents the fair value of the share consideration over and above the share's nominal value of £0.01 per share.

Capital contribution reserve

The capital contribution reserve represents post combination vendor remuneration of £1,675,000 (2014: £1,262,000) in respect of a portion of contingent consideration relating to the purchase of the Company by Watchstone Group Plc on 24 May 2012 that was payable only if certain employees remained in employment with the Company post acquisition; and £255,000 (2014: £161,000) in respect of share options granted by Watchstone Group Plc to employees of the Company.

21. Operating lease commitments

At the Statement of Financial Position date the Company had outstanding commitments for minimum lease payments due under non-cancellable operating leases, which expire as follows:

	Plant and equipment	
	2015	2014
	£'000	£'000
Expiring:		
Within one year	-	12
Between two and five years	-	-
	-	12

22. Cash flow from operating activities

	2015	2014
	£'000	£'000
Loss before taxation	(6,352)	(1,329)
Adjustments for:		
Finance expense	-	1
Depreciation of property, plant and equipment	92	17
Amortisation of intangible assets	1,275	1,015
Share based payments	255	161
Exceptional costs	252	505
Impairment of intangible assets	2,947	-
Operating cash flows before movements in working capital	(1,531)	370
Decrease/(increase) in trade and other receivables	10,638	(14,773)
Decrease in trade and other payables	(2,293)	(3,673)
Cash generated from/(used by) operations before finance expense and tax	6,814	(18,076)

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

	1 January £'000	Cash flow movements £'000	Non-cash movements £'000	31 December £'000
2015				
Cash	-	593	-	593
Overdrafts and bank loans	(4,968)	4,968	-	-
Cash and cash equivalents	(4,968)	5,561	-	593
Other secured loans < 1 year	-	-	-	-
Other secured loans > 1 year	-	-	-	-
Net funds/(borrowings)	(4,968)	5,561	-	593
2014				
Cash	20,800	(20,800)	-	-
Overdrafts and bank loans	-	(4,968)	-	(4,968)
Cash and cash equivalents	20,800	(25,768)	-	(4,968)
Other secured loans < 1 year	(40)	40	-	-
Other secured loans > 1 year	(30)	30	-	-
Net funds/(borrowings)	20,730	(25,698)	-	(4,968)

24. Share based payments

The Company was acquired by Watchstone Group Plc on 24 May 2012. Part of the consideration has been treated as post combination vendor remuneration. The Company recognised an expense of £252,000 in the current year (2014: £505,000) related to the cost of share based payments (included as exceptional costs within administrative expenses). No future share based payment charges related to the acquisition are expected to be recorded.

The share based payments are equity settled and the inputs into the Black-Scholes model for shares issued as post combination vendor remuneration were as follows. The weighted average fair value (based on the Black-Scholes valuation method) at the date the shares were issued or committed to be issued was 4.58 pence per share.

Weighted average share price (pence)	5.50
Weighted average exercise price (pence)	1.00
Expected volatility	59.29%
Expected life (years)	0.50 to 3.00
Risk free rate	2.00%
Expected dividend yield	0.00%

In addition the Company recognised an expense of £255,000 in the current year (2014: £161,000) in respect of share options granted by Watchstone Group Plc to employees of the Company (included as share based payments charges within administrative expenses).

25. Financial instruments

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:

	Loans and receivables £'000	Other liabilities £'000	Total carrying value £'000	Total fair value £'000
At 31 December 2015				
Trade and other receivables	7,002	-	7,002	7,002
Trade and other payables	-	(16,718)	(16,718)	(16,718)
Cash and cash equivalents	593	-	593	593
At 31 December 2014				
Trade and other receivables	17,274	-	17,274	17,274
Trade and other payables	-	(17,787)	(17,787)	(17,787)
Bank overdraft	-	(4,968)	(4,968)	(4,968)

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

- The fair value of other borrowings is estimated by discounting the future cash flows to net present values
- The fair value of cash and cash equivalents and bank overdraft is equivalent to the carrying value due to the short-term nature of those instruments
- 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 loans and receivables mainly comprise investments in AAA/AA bank deposits which can be withdrawn without notice.

Financial risk management

The Company's financial instruments comprise borrowings, 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.

Liquidity risk

The Company generates funds from operations which are managed centrally within its group.

The following are the contractual maturities of financial liabilities:

	Carrying amount £'000	Contractual cash flows £'000	Less than 1 year £'000	Between 1-5 years £'000
Non-derivative financial liabilities				
2015				
Trade and other payables	16,718	(16,718)	(16,718)	-
	16,718	(16,718)	(16,718)	-
	Carrying amount £'000	Contractual cash flows £'000	Less than 1 year £'000	Between 1-5 years £'000
2014				
Trade and other payables	17,787	(17,787)	(17,787)	-
	17,787	(17,787)	(17,787)	-

Credit risk

The Company is not subject to significant concentration of credit risk with exposure spread over a number of companies. Policies are maintained to ensure that the Company enters into sales contracts that are tailored to the customers' respective credit risk. The credit quality of the Company'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.

The average credit period taken on sales is 39 days (2014: 54 days). No interest is charged on the receivables balances. The Company 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 Company to the receivables counterparty.

The carrying amounts of borrowings (note 16) are all denominated in Sterling (2014: all in Sterling).

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

	Note	2015 £'000	2014 £'000
Non-derivative financial assets			
Trade and related parties receivables	13	7,002	17,274
Cash and cash equivalents	14	593	-
		7,595	17,274

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

	2015 £'000	2014 £'000
UK	7,002	13,749
Rest of World	-	3,525
	7,002	17,274

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

	2015 £'000	2014 £'000
Sterling	7,002	13,797
Other	-	3,477
	7,002	17,274

The ageing of loans and other receivables at 31 December 2015 was as follows:

	2015 Gross £'000	2015 Impairment £'000	2015 Net £'000	2014 Gross £'000	2014 Impairment £'000	2014 Net £'000
Under 1 year	7,020	(18)	7,002	17,280	(6)	17,274
	7,020	(18)	7,002	17,280	(6)	17,274

Included in the net loans and other receivables balance above is £618,000 (2014: £1,378,000) which are subject to contractual payment terms, of which an amount of £598,000 (2014: £505,000) represents debts which are past their due date but not impaired.

An ageing of this past due but not impaired debt is shown below:

	2015 £'000	2014 £'000
Under 1 year	598	505
	598	505

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

	2015 £'000	2014 £'000
At 1 January	6	6
Provision for receivables impairment	12	-
	18	6

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 Income Statement. The directors consider that the carrying amount of trade and other receivables approximates their fair value.

26. Dividends

The Directors do not propose the payment of a dividend for the year ended 31 December 2015 (2014: £nil).

27. Ultimate parent company and controlling party

The immediate parent company is Watchstone Group Plc. The ultimate controlling party of the Company and the parent company of the smallest group to consolidate these Financial Statements is Watchstone Group Plc. Copies of the consolidated accounts of Watchstone Group Plc can be obtained by writing to the Company Secretary at 1 Barnes Wallis Road, Segensworth East, Fareham, Hampshire PO15 5UA.

28. Related party transactions

Transactions with companies within the Watchstone group:

	Sales made to / (expenses incurred from)		Receivable/(payable)	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Immediate parent	(608)	-	4,425	13,313
Fellow subsidiaries	(1,127)	(1,456)	(15,822)	(17,000)
Fellow subsidiaries	956	504	1,977	2,589

Mr S.Scott, a Director of the Company in 2014, is also a Director of Bickleigh Ridge Limited. During 2014 Bickleigh Ridge Limited provided consulting services totalling £36,663 of which £10,570 was unpaid at 31 December 2014.

29. Financial statements for the year ended 31 December 2014 included as comparatives in these financial statements

In preparing the 2014 financial statements the directors took into account all available information in the application of the company's accounting policies and in forming judgments. The directors undertook extensive investigations of historical transactions which appeared to be unusual and/or with related parties using significant third party legal and accounting support. Nevertheless, although management had discussions with certain members of the previous management team, there were a number of limitations in the information available which lead to unresolvable ambiguities in analysing the substance of certain historical transactions in respect of 2013, where the intention or commercial purpose could not be verified and/or in assessing the fair value to apply to certain of these transactions, as a result of weaknesses in the books and records maintained by the Company.

As set out below, the directors revised the accounting treatment and/or fair values attributed to a number of these transactions which, based on the information available in preparing the 2014 Financial Statements, some of which were not made available or considered in the past, the Company now considers were accounted for incorrectly or where we were unable to establish a reliable fair value. In the absence of further information or discussion with former management to remove any ambiguity behind these transactions the Company considers the revised accounting to be the most appropriate presentation.

Revisions to accounting policies and other prior year adjustments made in the 2014 Financial Statements

A description of the revisions to accounting policies and prior year adjustments as a result of the matters noted above is set out below. The explanation is copied verbatim from note 3 in the 2014 Financial Statements, except that the tables setting out the quantitative changes to 2013 Financial Statements have been omitted as they are not relevant to these Financial Statements.

The Company, in conjunction with the Auditor, has conducted a review of certain prior year revenue transactions to consider whether all available information in respect of these transactions was taken into account in the preparation and presentation of the financial statements. This review identified that there was information that ought to have been available to the Company and Auditor at that time in taking into account whether the transactions were revenue generative under IAS 18. Had the Company at that time taken this additional information into account, or had the information been made available to the Auditor, including side agreements and cash flow arrangements, revenue should not have been recognised in respect of those transactions.

The Company has reviewed these transactions and, whilst recognising that there are remaining uncertainties in determining the commercial nature and appropriate pricing of the software (or other rights or services) sold, has formed the opinion that these transactions, whilst varying in their individual detail, should not be recorded as giving rise to revenue that should be recorded in the Financial Statements.

In one other instance, the Company at that time had determined that revenues generated from the transaction were, in substance, a barter transaction across the Watchstone group. In this case, the Company sold distribution rights and access to IPR in respect of its policy and claims management software to Himex in exchange for cash consideration of £7.0m. At the same time, Watchstone Group Plc agreed to acquire the distribution rights to certain telematics software and IPR for £10.0m.

The Company at that time appears to have considered the consideration transferred for each transaction to be at a fair market value. However, in light of the findings of the wider review by the Company and Watchstone group in respect of other 2013 transactions, although it is not considered that this transaction lacked commercial substance, sufficiently reliable fair values have not been able to be attributed to each component of the overall transaction. Without access to relevant management or Directors at that time, the Company and Watchstone group are unable to obtain further evidence to support the fair values. The Company has therefore concluded that the specific transaction it participated in should not have been treated as revenue generative and so all the previously recognised revenue has been removed from the 2013 results. Watchstone Group Plc has arrived at the identical conclusion and reversed its half of the barter transaction.

Accordingly, the Company has adjusted the Financial Statements to remove the following revenues and profits reported in 2013 from these transactions with companies subsequently acquired by Watchstone Group Plc (formerly Quindell Plc).

Company	Sale by Company	Revenue £'000	Reduction in Profit before Tax £'000
Ingenie and Group companies	Software	7,495	7,495
ACH Group Management Limited	Software	2,300	2,300
Himex	Distribution licence	7,000	7,000
Total		16,795	16,795