Quindell Plc

ANNUAL REPORT & FINANCIAL STATEMENTS

for the year ended 31 December 2014

Key Summary

- Completed thorough review of the historic accounts, M&A and previous public disclosures
- Disposal of the PSD concluded after the year end
- Group now has a strong balance sheet with approximately £535m in cash on deposit (as at 31 July 2015), with £55m in escrow accounts
- Capital distribution of at least £1 per ordinary share targetted for Autumn 2015 subject to Court approval
- Now a more focused, technology-led business operating in exciting and high growth sectors
- New Board (with new Group CEO appointment imminent), new reporting structures and a commitment to strong governance and developing a business strategy to optimise shareholder value

In this year's Report

Chairman's Report

2014 and the start of 2015 has been a challenging period for Quindell. I am pleased to say that the new Board has made significant progress in consigning the events of 2014 to the past and is well advanced in creating a solid base for the future.

A variety of factors led the business to become destabilised. Investor trust in the Company and its Board was eroded and it became clear that decisive action was necessary to bring stability back to Quindell and rebuild the confidence of employees, investors, regulators, customers and suppliers alike. A great deal has been done in a short space of time to turn the tide, and I am confident in the Company's long-term future and the potential of our businesses.

In addition to my appointment as Non-executive Chairman, we have introduced a number of new Non-executive Directors to the Company. The new Board is structured with the right level of seniority, skill, independence and governance credentials to provide the highest level of oversight. Allied to this, we have also changed the executive Directors. Mark Williams, a strong and experienced Group Finance Director is now in place and Stefan Borson, Group General Counsel, has also taken on the role of Company Secretary. We expect to announce the appointment of our new Group Chief Executive in the near future.

In December 2014, Non-executive Director and former Non-Executive Interim Chairman, David Currie engaged advisers including PricewaterhouseCoopers LLP ("PwC") to assist the Company's management in its review of the cash flows, business plans and main accounting policies that were in operation under the Company's previous management. With the Board, I worked closely with these advisers to manage the process and we have acted on their observations. In view of this, and in co-operation with the Financial Reporting Council ("FRC") and the Company's Auditor, KPMG LLP ("KPMG"), the new Board has taken a more conservative view of the Group's accounting policies and, as a result, has presented some past transactions differently. Combined with the acquisitions made in the year and subsequent disposal of the Professional Services Division ("PSD"), this has created a very complex set of accounts. I am now confident that our accounting policies are appropriate and the financial control environment is significantly improved.

On 30 March 2015, we announced that an agreement had been reached with Slater and Gordon Limited ("S&G") to dispose of the PSD and on 29 May 2015, the transaction formally completed. As well as reducing the complexity of the Group, and allowing the new Board an appropriate platform on which to develop a focused, technology-led strategy, the sale brought substantial cash onto our balance sheet and de-risked the business. As at 31 July 2015, the Company has approximately £535.0m in cash on deposit with a further £55.0m in temporary escrow accounts, with no material debt. We are confident that the open and detailed due diligence process in respect of the disposal will ensure that all of the £50.0m currently reserved in a joint escrow account for any warranty claims will be released in November 2016.

As previously announced, the Board also commenced a review to go alongside the audit of a number of the Company's historical transactions and acquisitions. This work has provided additional information in relation to these transactions and acquisitions which we include in these Financial Statements including further disclosure in respect of related party transactions. In addition, we have also published a number of corrections and clarifications in a separate announcement.

After the year end, on 23 June 2015, we were informed that the Financial Conduct Authority ("FCA") had commenced an investigation into the public statements made regarding the financial results of the Company during 2013 and 2014. Given the intense public speculation on this subject, the launch of this investigation was not a surprise and we will, of course, co-operate fully with the FCA. We intend to set up internal structures to separate the FCA investigation from our operating businesses to ensure we can deliver shareholder value without the distraction of reviews of the past.

Given the scale of change that we have experienced it is important to reiterate our belief that the businesses that remain following the disposal of the PSD have good potential in attractive sectors. We will mandate the new Group Chief Executive Officer to lead a review of our businesses and develop a business strategy, resource base and way of working to optimise shareholder value.

In respect of a capital return to shareholders, the first step will be for a full scope review of our interim Financial Statements for the period ended 30 June 2015 to be undertaken by our Auditor. KPMG will be proposed for reappointment as Auditor at the AGM. A capital return will require both the approval of shareholders and Court approval for a capital reduction and to create distributable reserves. This is a necessary step before we can make a return of capital and to commence any share buy back (if deemed appropriate). The amount of any return to shareholders will be determined at that time and, in deciding the appropriate quantum to be distributed, 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.

Taking account of these requirements, the current desire of the Board remains to make a capital distribution of at least £1 per ordinary share. We also expect to receive substantial contingent consideration in respect of the sale of the PSD (a valuation of approximately £40.0m is detailed in the Strategic Report) and a release of the warranty escrow of £50.0m in November 2016.

I'd like to take this opportunity to thank all of our employees, who have continued to deliver their best work under very stressful and trying circumstances, and our investors for supporting the Company and allowing us the space and time to implement some necessary changes throughout the entire Company.

We have made huge progress in the last few months and we now have more than half a billion pounds in cash in the bank, exciting businesses in attractive sectors as well as potential for substantial deferred proceeds from the disposal of the PSD. We have some exciting opportunities to create value in our remaining businesses, and we are committed to deploy resources and energy to maximise such potential.

We now need to put the past behind us and get on with the job in hand and the team is determined to do so.

I thank our shareholders for their continued support.

Richard Rose
Non-executive Chairman

Strategic Report

1. Business Review

1.1 About Quindell

Quindell is a technology focused organisation with businesses primarily serving the insurance sector. We either deliver technology solutions or utilise technology in providing services that our customers need. We own and invest in companies that are, and are capable of, growing both in their scale and profitability.

In the UK and North America, we offer insurance technology solutions. Himex Limited ("Himex") and Quindell Solutions, Inc ("QSI") provide a usage based insurance offering, via telematics, to the major US and Canadian insurance companies, allowing them to improve their rating capabilities while enhancing their market competitiveness and their customers' insurance experience. These markets are early stage and allow for rapid profitable growth. In the UK, our *Road Angel* products assist in safer driving by alerting drivers to the presence of speed and safety cameras. Ingenie Limited ("Ingenie") in the UK, and increasingly in North America, is a cost effective way for new drivers to get insured by monitoring and recording their driving activities such that safe driving is rewarded by lower premiums from our partner providers. Through Quindell Enterprise Technology Solutions Limited ("QETS"), we offer insurance companies a full software solution, from policy take on to claims notification, via telematics, to claims management.

In Canada, we have one of the largest physiotherapy and rehabilitation services, PT Healthcare Solutions Corp ("PT Health"). Combining our insurance industry knowledge with the efficient use of technology, this service will be leveraged further. Quintica Group ("Quintica") is a technology services provider to telecoms companies operating in emerging markets. In the UK, Quindell Property Services ("QPS") provides and installs solar panels and cavity wall insulation to both the domestic and business customer. Business Advisory Services is an energy switching broker which helps its UK business customers obtain the most cost effective electricity supply. Maine Finance identifies appropriate life assurance solutions for UK customers, often through its QuoteSupermarket.com brand.

At the corporate level, we are a group that operates to the highest ethical standards, implementing good governance throughout our organisation.

1.2 Overview of 2014

The year ended 31 December 2014 was characterised by a number of operational and financial challenges for the Group in coping with its rapid growth both organically and through acquisition. These challenges included working capital issues and, towards the end of the year, the decision to make a strategic change in direction. This culminated with the decision to dispose of the PSD and focus the Group's future on its digital solutions businesses.

Within the PSD, Quindell Legal Services ("QLS") continued its focus on acquiring noise induced hearing loss ("NIHL") cases and acquired a further 62,000 such cases (2013: 4,000 cases). This increase in case intake was working capital intensive, absorbing approximately £71.0m of cash during 2014. This rapid growth was not matched by sufficient additional claims processing capacity and the overall progression of cases was slower than expected.

On 8 December 2014, the Board announced that in conjunction and consultation with its bankers, advisers including PwC were engaged to assist management in its review of cash flows, business plans and of the main accounting policies that were in operation under the Company's previous management. The Board has acted on the recommendations and observations reported to management by those advisers.

On 31 December 2014, following the conduct of preliminary discussions, the Group entered into an exclusivity arrangement with S&G in respect of the potential disposal of the PSD and secured an advance payment.

1.3 Overview of Financial Statements

The Financial Statements presented on pages 29 to 132 are necessarily very complex. The Board has attempted to provide in-depth disclosure on relevant accounting issues, making adjustments where appropriate, whilst complying with accounting regulations.

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

- **Revision of accounting policies:** This has necessitated restating the accounts for the years ended 31 December 2012 and 2013, the impact of which has been to reduce reported net assets, revenues and profits for those periods as well as for 2014.
- **Treatment of the PSD as an asset held for sale at the year end and its results as a discontinued operation:** This treatment shows the figures relating to the PSD

clearly separated from the Group's continuing businesses. This treatment reflects the Board having conducted negotiations with S&G during 2014 and having entered into an exclusivity agreement in December 2014 with a view to concluding the disposal.

- **Acquisitions and disposals of businesses in 2014:** The Group made a number of acquisitions during 2014 and the accounting is complex given the "stepped" acquisition of control of some of those acquisitions and change in their status from associate to subsidiary. In addition, the Board has reviewed the resulting acquisition values and considered whether those values should be impaired. A number of impairment charges have been made.
- **Revisions to the treatment of acquisitions and investments made prior to 2014:** The Board has reviewed a number of the Group's historical transactions and acquisitions with a view to ensuring that the accounting for their acquisition was correct. A number of revisions to the accounting treatment have been made. Some of the revisions affect only the treatment in the Consolidated Statement of Financial Position, others also reduce the profit which was reported for the relevant period.
- **Revisions to revenues and profits made by companies subsequently acquired by the Group:** The treatment of some revenues and their associated profit, which were reported in prior periods has been revised where evidence has suggested that they should be more correctly accounted for as part of the acquisition accounting.
- **Related party transactions:** Certain transactions with related parties are required to be disclosed under accounting regulations. Full disclosure has been made for 2014 and further disclosures have been made for prior periods, notwithstanding some ambiguities set out on page 18.

The gain on the disposal of the PSD is not included in the results for the year, as the sale took place after the year end.

Further commentary on these issues is set out below. However, shareholders' attention is particularly drawn to note 3 to the Financial Statements, which provides detailed disclosures and an assessment of the effect of these revisions to the published 2012 and 2013 accounts as well as on 2014.

Basis of preparation: note 2 to the Financial Statements explains the basis on which Financial Statements have been prepared and, together with the Auditor's Report, includes information which is important to understand in reading these Financial Statements. As explained in note 2 to the Financial Statements, 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 Group accounting policies, which have been applied consistently across the Group, is set out below. The Group has reviewed its accounting policies in accordance with IAS 8 and determined that they are appropriate for the Group and have been consistently applied. The Group has adopted a revised revenue recognition policy in respect of its Services Division, as described in note 3 to the Financial Statements.

In preparing these Financial Statements the Board has taken into account all available information in the application of its accounting policies and in forming judgments. The Board has undertaken extensive investigations of historical transactions which appear to be unusual and/or with related parties using significant third party legal and accounting support. Nevertheless, although we have had discussions with certain members of the previous management team, there are a number of limitations in the information available which lead to unresolvable ambiguities in analysing the substance of certain historical acquisitions, revenue and share transactions in respect of 2011, 2012, 2013 and 2014, where the intention or commercial purpose cannot now 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. It is also possible that there are transactions into which the Group has entered of which we are unaware. The Board would expect any such transactions affecting the 2014 statement of financial position, if material, to have been identified during the course of preparation of the Financial Statements and related work, but notes the possibility that additional related party transactions may exist which would need to be disclosed.

As set out in note 3 to the Financial Statements, the Board has revised the accounting treatment and/or fair values attributed to a number of these transactions which, based on the information now available, some of which was not made available or considered in the past, the Board now considers were accounted for incorrectly or where we have been 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 Board considers the revised accounting to be the most appropriate presentation. Where there remain limitations to the information or ambiguities, the Board has taken an appropriately prudent view in assessing the recognition and valuation of assets and liabilities as at 31 December 2014. As a result, whilst it cannot be ruled out that there are transactions that should be reflected in the Statement of Financial position at that date of which the Board is unaware, the Board is satisfied that the Statement of Financial Position at 31 December 2014 is presented fairly in all material respects.

The Board is thus satisfied that the Financial Statements give a true and fair view of the assets, liabilities, financial position and loss for the year.

Auditor's opinion: The Auditor's opinion should be read in full and is included at pages 27 to 28.

The Auditor has reported on these accounts and their report is 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. It does not include a reference to any matters to which the auditor drew attention by way of emphasis.

1.4 Revision of accounting policies and prior year adjustments

The Board engaged advisers, including PwC, to assist management in its review of the appropriateness of the accounting policies in relation to revenue recognition for the PSD.

Also during the year, the FRC began a corporate reporting review, raising a number of enquiries in respect of the Financial Statements for the year ended 31 December 2012. This review ultimately focused around three primary areas: revenue recognition across the PSD; certain aspects of acquisition accounting; and certain transactions in its own shares.

In light of the FRC enquiry and the observations reported to management by its advisers, the Board has undertaken a detailed analysis of the Group's accounting policies and has made a number of revisions, having identified that certain of the policies recognising revenue and deferring case acquisition costs were largely acceptable but were at the aggressive end of acceptable practice. The review also identified that certain policies and their application were not appropriate, principally those relating to the noise induced hearing loss ("NIHL") cases revenue and related balances which became significant during 2014 In particular, the Group has co-operated with the FRC in considering any revisions required to the Financial Statements and accounting policies in order to address their concerns. These have been reflected in the Financial Statements presented. The primary revisions relating to accounting policies are in respect of the point of initial revenue recognition and its measurement and marketing costs. As part of these processes, management and its advisers held regular discussions with KPMG.

The Board decided that a more appropriate and conservative approach to accounting for revenues and, therefore, profits would be to recognise revenues at a later stage. The Board has decided to achieve this by changing the policy for revenue recognition throughout the PSD, also effectively addressing the inappropriate application of those previous policies to NIHL cases and related balances. The Board has not reviewed in detail the judgements and estimates made in the previous policy, neither has the Board formed a different view as to the economic model of the PSD.

As permitted under IAS 18, we have moved revenue and profit recognition to later in the client service cycle. Revenues and profits are now recognised, in the majority of cases, when liability is admitted by the at-fault insurer. Related costs are expensed as incurred, specifically marketing costs which had previously been deferred and expensed only as cases reported revenues and profits. Admission of liability is now generally considered to be at settlement of the case and is typically followed shortly thereafter by the invoicing and receipt of cash. The impact of these revisions has been to reduce reported net assets, revenues and profits for the 2013 and 2014 reporting periods. There remains only very limited work in progress in QLS as a result of the restatements.

A summary of the impacts of accounting policy revisions (which are attributable to discontinued activities only) on the Group's results as prepared under the old accounting policies is shown below, with full details in note 3 to the Financial Statements.

Discontinued activities only	2014 Old accounting policies £'000	2014 Revisions in accounting policy £'000	2014 Proforma £'000
Revenue	510,323	(289,783)	220,540
EBITDA	200,427	(299,968)	(99,541)
Pre-tax profit	175,109	(312,309)	(137,200)

Discontinued activities only	2013 As previously stated £'000	2013 Revisions in accounting policy £'000	2013 Proforma £'000
Revenue	294,283	(108,720)	185,563
EBITDA	137,651	(113,000)	24,651
Pre-tax profit	89,479	(144,927)	(55,448)

In addition we set out below a summary of the impact of these revisions on the unaudited results for the periods ended 30 June 2013 and 30 June 2014.

A full restatement of the 2014 interim results will be given when the Group publish its interim results for the period ended 30 June 2015, and these will include the effect of the accounting policy revisions, other prior year adjustments, the full impact of the acquisitions of Ingenie and Himex in 2014, and corrections to accounting errors in 2014 relating to transactions with controlled and other entities and share-based payments.

Discontinued activities only -unaudited	H1 2014 As previously stated £'000	H1 2014 Revisions in accounting policy £'000	H1 2014 Proforma £'000
Revenue	357,335	(173,836)	183,499
EBITDA	156,008	(185,902)	(29,894)
Pre-tax profit	153,703	(192,073)	(38,370)

Discontinued activities only -unaudited	H1 2013 As previously stated £'000	H1 2013 Revisions in accounting policy £'000	H1 2013 Proforma £'000
Revenue	163,313	(42,780)	120,533
EBITDA	53,983	(40,270)	13,713
Pre-tax profit	39,226	(56,233)	(17,007)

The Group also issued an unaudited trading statement for the three months ended 30 September 2014 on 13 October 2014, which stated a revenue and EBITDA for that period of £198.0m and £83.0m respectively. The impact of applying the Group's revised accounting policies have been to reduce revenue by £130.0m and EBITDA by £129.0m, resulting in a restated unaudited revenue of £68.0m and restated EBITDA loss of £46.0m for this period.

Details of prior year adjustments are set out in detail in note 3 to the Financial Statements, with a description of the items requiring adjustment and a summary of their impact on the Financial Statements in 2.1.8 below.

1.5 Acquisitions and Investments

During the year, the Group gained full control of Himex and Ingenie (both existing investments) and made a number of smaller investments. Further details are included in note 36 to the Financial Statements.

1.5.1 Himex

The Directors believe that Himex occupies a strong position in a growing market and has a market leading “connected car” proposition. The business enjoys the benefit of a strong technology platform, good customers, and high quality management.

On 1 January 2014, the Group gained effective control of Himex, by virtue of a call option to acquire a controlling shareholding in that company, and the Group has therefore consolidated the results of Himex since that date as required by IFRS 10. At the point of acquisition the Group’s holding in Himex increased by 57.9% to 76.9%, with the consideration of £69.0m consisting of £15.0m cash and 281 million ordinary shares of 1 pence in the Company (19.3p per share before the 1 for 15 consolidation or 281p per share post-consolidation) with a fair value of £54.0m. A share purchase agreement was completed on 17 February 2014 to effect this, with shares issued in March and April 2014 totalling 303.8m, bringing the Group’s total interest to 84.7%. The majority of the rest of the shares in Himex were purchased in July 2014 for 2.7 million ordinary shares of 15 pence, taking the Group’s total stake to 99.9%. The financial impact of the Himex acquisition is set out in detail in note 36 to the Financial Statements, summarised in table 1.5.3 below.

As at 31 December 2014, we have performed an impairment review of the £69.1m carrying value of Himex goodwill. As a result of this review, we have made an impairment charge relating to Himex of £22.6m. In assessing the carrying value of goodwill we have considered the following factors: (a) there was a shortage of central funding for the development of the Himex business; (b) a recall of a batch of telematics devices occurred in July 2014 under a major contract which significantly impacted business volumes; and (c) litigation brought against Himex by minority shareholders of Navseeker Inc. (“Navseeker”) caused a drain on management time and resource. Subject to the approval of the Court of Delaware, this matter has now been settled.

During 2013, whilst Himex was an investment (i.e. prior to its acquisition by the Company), the Group invoiced Himex £15.7m for software, services and telematics devices and was charged £10.0m by Himex for purchases. Himex was acquired on 1 January 2014 so there were no recharges with Himex as an investment in the current period. The software and services do not form part of the continuing revenue streams of the Group. As described in note 3 of the Financial Statements, a prior year adjustment has been made to remove the revenues where these relate to the Company’s products and services included in the Financial Statements for the year ended 31 December 2013.

1.5.2 Ingenie

Ingenie is an innovative broker that uses telematics technology to reward safe driving by lowering premiums. It is a B2C brand and registered trade mark and has been in existence for 5 years. Targeted primarily at young people it is marketed through multiple media channels and also has social media presence through Twitter and Facebook.

On 22 January 2014, the Company and Ingenie’s vendors agreed terms for an option for Quindell to acquire 33.1% of Ingenie (to add to its existing 49.6% investment) by the issue of 122.0 million ordinary shares of 1 pence (“the Option”). The share price on this date was 21.5 pence per share (“Base Price”), valuing 100% of Ingenie at £80.0m.

Subsequently, on 4 February 2014, an option agreement was signed by the Company and Ingenie’s vendors (“Original Option”) regarding the Option and including a provision whereby the Option could not be called if Quindell’s share price was at a 10% (or greater) discount to the Base Price agreed on 22 January 2014 (i.e. below 19.35 pence per share) (“Floor Price”). Between 22 January 2014 and 4 February 2014, the share price rose to 36 pence, valuing 100% of Ingenie at £131.0m. The Original Option was exercisable at any time from 4 February 2014 to 31 January 2015.

The Company did not exercise the Original Option between February and May 2014. In May 2014, the share price fell below the Floor Price and from June 2014 onwards never rose above the Floor Price so the Original Option was not exercisable.

On 4 July 2014, the Company and Ingenie’s vendors agreed a revised option capable of being exercised within 7 days on materially varied terms which reduced the Floor Price to 180 pence (the equivalent of 12 pence adjusted the Company’s 1 for 15 share consolidation in June 2014) in exchange, inter alia, for reduced lock-in volumes and periods (“Revised Option”). On 11 July 2014, the Revised Option was exercised at 181 pence, valuing 100% of Ingenie at £52.7m and Ingenie became a legal subsidiary of the Company on that date.

On 11 July 2014, in addition to the Revised Option being exercised, a sale and purchase agreement was entered into in respect of the purchase of the remaining shareholding in Ingenie and the Company increased its investment in Ingenie in total by 50.4% to 100%. The acquisition of the Ingenie shares not already owned by the Company was satisfied by the issue of 8.1 million ordinary shares of 15 pence pursuant to the Revised Option and a further 4.5 million ordinary shares of 15 pence for the remaining shares.

The accounting impact of the events above is complex but, in summary, on 4 February 2014, the Group was regarded as having acquired control over Ingenie by virtue of the Original Option. Ingenie did not become a subsidiary in legal terms, but Quindell had the ability to take control if the Original Option was exercised.

However, in line with the applicable accounting standard (IFRS 10), whilst the Company is regarded as having obtained control of Ingenie on 4 February 2014 when the share price fell below the Floor Price, it lost control in May 2014 and regained control when the Revised Option was exercised on 11 July 2014 upon exercising the Revised Option.

The financial impact of the Ingenie acquisition is set out in detail in note 36 to the Financial Statements, summarised in table 1.5.3 below.

We have performed an impairment review of the value of Ingenie's goodwill. In assessing the carrying value of goodwill, we have considered the following factors: (a) the development of Ingenie's business has suffered from brand association with its parent; (b) increased price competition as other competitors develop their offerings; and (c) delays to its roll out plans as funding was prioritised into the PSD during 2014. As a result of this review, we have made an impairment charge relating to Ingenie of £16.5m as at 31 December 2014.

During 2013, the Group invoiced Ingenie £9.4m for software and services and was charged £0.1m for purchases. During 2014, up to the date of acquisition, there were no invoices or charges between the Group and Ingenie. As described in note 3 of the Financial Statements, a prior year adjustment has been made to remove the revenues included in the Financial Statements for the year ended 31 December 2013.

The business of Ingenie occupies a strong position in a growing yet competitive market and enjoys the benefit of a strong technology platform, good customers, and high quality management.

1.5.3 Summary of the financial impact of Himex and Ingenie acquisition accounting at date of control

£'m (save where stated)		**Himex**	**Ingenie (Original Option)**	**Ingenie (Revised Option)**
Date of acquisition		1 January 2014	4 February 2014	4 July 2014
Date of disposal		n/a	7 May 2014	n/a
Fair value of business acquired		117.1	85.6	52.7
	Shares to be issued	54.0	38.0	19.1
	Cash	15.0	-	-
	Non controlling interest	25.8	12.3	7.5
	Fair value of existing investment	22.3	35.5	26.1
Quindell shares issued	Ordinary shares of 1 pence	303.8m	-	-
	Ordinary shares of 15 pence	2.7m	-	12.6m
What the Company acquired	Goodwill	69.1	76.9	44.8
	Intangibles	52.6	5.7	5.0
	Other net assets	5.9	4.1	3.9
	Deferred tax	(10.5)	(1.1)	(1.0)
	Total	117.1	85.6	52.7
Carrying value at year end		79.4	n/a	35.3
At disposal		n/a	71.2	n/a
Effect on Consolidated Income Statement from acquisition accounting	Associate stepped gain/(loss)	15.5	7.6	(3.5)
	Amortisation	(10.3)	(0.4)	(0.6)
	Immediate impairment to valuation used for the Original Option	-	(14.4)	-
	Impairment at year end	(22.6)	-	(16.5)
	Loss on disposal	-	(5.8)	-
	Net	(17.4)	(13.0)	(20.6)
Movement in % held	As at 31 December 2013	19.0%		49.6%
	Acquired	65.7%		50.4%
	As at 31 December 2014	99.9%		100.0%

1.5.4 Connected Car Solutions Limited

On 5 April 2014, the Company entered into an investment and commercial agreement ("Venture") with RAC Limited ("RAC") and a newly formed company, Connected Car Solutions Limited ("CCS") to distribute Quindell's and RAC's combined connected car capabilities using the branded names and licenced intellectual property in selected markets in the UK, Canada and Europe. Pursuant to which inter alia:

- The Company subscribed for 15.6 million shares of £1 each in CCS, (representing 51% of CCS's share capital);
- The Company provided a loan of £1.0m to CCS on an arms-length basis;
- RAC subscribed for 15 million shares of £1 each in CCS;
- RAC provided a licence for the use of its brand by CCS ("RAC Brand Licence");
- RAC sold 15% of its investment in Risk Telematics UK Limited to CCS; and
- The Group invoiced CCS for £15.6m relating to distribution rights for its telematics related software. (This was reported as revenue in the Group's unaudited accounts to 30 June 2014. The Board consider that the treatment of this transaction within the Group's accounts was incorrect and an adjustment has been made in these accounts to reduce revenue and pre-tax profit by £15.6m.).

On the same date, the Group granted warrants to subscribe for 16.7 million ordinary shares to RAC (after adjusting for the 1 for 15 share consolidation), exercisable between the date of grant and 5 April 2016. The warrants were to vest in three tranches: the first tranche of 6.7 million warrants immediately. The second and third tranches, which totalled 10.0 million warrants, were conditional upon the achievement of certain performance conditions. On 1 September 2014, all of these warrants were cancelled prior to the achievement of the performance conditions. Immediately prior to the cancellation of the warrants, no unvested warrants were expected to meet the performance conditions. Therefore, no charge has been recorded in relation to the second and third tranches. The Group recognised a total expense of £9.0m during the year in relation to the first tranche of these warrants. Full details are shown in note 28 to the Financial Statements.

On 1 September 2014, the Company announced that it had agreed with RAC to terminate the Venture. The Company acquired RAC's shares in CCS for £15.0m and all of the warrants, as described above, were cancelled. RAC also agreed to re-purchase its brand licence and investment in Risk Telematics UK Limited. Both transactions were at original cost to RAC so no gain or loss was recorded by CCS in respect of these transactions.

1.5.5 ACH Group

On 8 January 2014, the Company acquired the group comprising a number of companies including Quayside (2801) Holdings Limited and its trading subsidiary ACH Group Management Limited ("ACH") which was a referral partner of QLS, supplying marketing leads. ACH was disposed of on 29 May 2015 as part of the disposal of the PSD. The goodwill arising on acquisition forms part of the Services Division Cash Generating Unit ("CGU") and was not subject to any impairment at 31 December 2014 in view of the gain on sale arising.

During the same period, the Group invoiced ACH £3.3m for software services and was charged £5.4m by ACH for purchases. These transactions do not form part of the continuing revenue streams of the Group.

At the same date as acquisition the Group issued 24.1 million shares of 1 pence to the shareholders of ACH Management Services Limited (formerly RTA Management Services Limited). 8.8 million of these shares were issued to R Fielding, then a Director of QLS. The Group recognised this issue as a share-based payment and has recognised the value of his shares as an expense of £1.4m in the Consolidated Income Statement within the discontinued business.

1.5.6 Crusader Assistance Group Holdings Limited

On 24 April 2013, the Company announced the acquisition (conditional on FCA approval) of Crusader Assistance Group Holdings Limited ("Crusader") which provided claims management services to UK insurance brokers in order to deploy volume into QLS and other companies within the Group. Completion of the transaction was announced on 14 January 2014. Crusader was disposed of on 29 May 2015 as part of the disposal of the PSD. The goodwill arising on acquisition forms part of the Services Division CGU and was not subject to any impairment at 31 December 2014 in view of the gain on sales arising.

During the same period, the Group invoiced Crusader £8.2m and was charged £6.2m by Crusader for purchases. These transactions do not form part of the continuing revenue streams of the Group.

A summary of the financial impact of these acquisitions is set out in the table below:

Consideration element	ACH (acquired 14 Jan 2014) £'000	Crusader (acquired 14 Jan 2014) £'000
Fair value of purchase consideration	24,508	8,772
Intangible assets acquired at fair value	-	1,850
Other tangible net liabilities acquired	2,965	(431)
Goodwill arising on acquisition	21,543	7,353

1.6 Change in strategic direction

During the last quarter of 2014 and first quarter of 2015, the Group underwent a significant change in strategic direction. The Board determined in December 2014 to commence a sale process for the PSD and agreed an exclusivity arrangement with S&G. On 29 May 2015, the Group concluded the disposal of the PSD for initial cash consideration of £637.0m (of which £50.0m is security for potential warranty claims and £5.0m as security for adjustments to completion accounts is held in escrow) with further contingent cash consideration becoming payable by reference to profits from NIHL cases which were current at the time of the sale. Details of this transaction are set out below and in note 37 to the Financial Statements.

1.7 Continuing activities

The conclusion of the PSD disposal results in a Group now focused on insurance technology solutions carried out through its technology Solutions division and healthcare services and other services carried out through its Services division. The technology Solutions division is comprised as follows:

- Connected car: Himex and QSI
- Insurance brokerage utilising technology and telematics: Ingenie
- Insurance software solutions (ICE): QETS

The priority with all of the Group's businesses will be to maximise shareholder value, whether by providing strategic direction and investment leading to growth or by seeking appropriate purchasers for selected businesses.

Operating performance during 2013 and 2014 has been measured by the Group against KPIs as part of the existing Group structure of two divisions (Services and Solutions) and therefore historical KPIs are not available for the continuing operations on a stand-alone basis. The KPIs for the Services and Solutions divisions have been set out in section 1.9 below. In assessing CGUs, these divisions are allocated into UK and Overseas components, except where businesses have not yet been integrated with existing operations, in which case they are shown as separate entity CGUs.

Since the change in the strategic direction of the Group, the Board is considering the most appropriate KPIs for assessing the performance of the continuing activities as part of the wider strategic review. It is likely that many of the KPIs will remain consistent with those previously used by the Group. However, to the extent that there are any additional areas of strategic focus, new KPIs and related targets may be developed.

1.8 Discontinued operations and assets available for sale

The results for the PSD are included within the results for 2013 and 2014 as "discontinued operations", after having been restated for the revisions in accounting policy previously described. As at 31 December 2014, the PSD is held as a separate asset and liability, both designated as held for sale. This reflects the Board having engaged in a sale process for this division prior to the year end of 31 December 2014.

In the balance sheet as at 31 December 2014, we hold an asset for sale of £304.0m and a liability of £183.0m, resulting in a net asset of £121.0m.

1.9 Business KPIs

Throughout 2014, the Board used a number of measures to determine the performance of the Group. The principal KPIs are as set out in note 6 to the Financial Statements, which provides a breakdown of EBITDA and adjusted profit before tax, and note 14 to the Financial Statements and the Income Statement and are summarised in the following table:

KPI *continuing business only*	**2014 £'000**	**2013 Restated £'000**
Revenue	72,015	61,031
Gross profit margin	30.7%	51.2%
Adjusted EBITDA	(33,272)	7,437
Adjusted (loss)/profit before tax	(37,853)	5,726
Adjusted basic earnings (pence per share)	(9.582)	2.369

1.10 Post balance sheet events – Disposal of Professional Services Division and other assets

1.10.1 Professional Services Division

The PSD disposal took place on 29 May 2015 and the consideration and estimated profit on disposal are set out in the following table:

	Group £'m
Total consideration inclusive of the cash consideration at completion of £637m, the incremental advance payment and estimated value of contingent consideration	683
Included in the Group's statement of financial position as at 31 December 2014 are net assets held for sale of £121m, which when considered with other assets not disposed of (including inter-company balances and bank debt) results in an estimated overall amount of disposed Group net assets	303
Expenses and other costs of sale	17
Estimated profit on disposal Excluding any downward adjustment from completion accounts mechanism or warranty claims	**363**

These figures do not include any profit or loss on trading for PSD during 2015 which will result in an equal and opposite impact on the sale profit or loss but no impact overall to the Group

During 2015, the PSD continued to trade and incurred further operating losses which resulted in a need for the Group to fund the operating losses which increased the inter-company balance and bank debts.

The sale and purchase agreement relating to the PSD includes provision for an adjustment to consideration based on a completion accounts mechanism. The amount of any adjustment is expected to fall within the range of ±£10.0m and an amount of £5.0m is held in escrow, pending the finalisation of this adjustment. The remainder of the balance of cash in escrow of £50.0m is held in a joint escrow account as security against any potential warranty claims. Subject to any claims, this escrow will be released at the end of November 2016. The warranty period for non-tax claims extends for 18 months from completion (7 years for tax claims) and warranty claims are subject to a de-minimus of £200,000 for each item (£100,000 in the case of tax claims) with an aggregate basket of £2.5m before any claim can be made under the warranties. The limit of total liability in respect of warranty claims is £100.0m. Warranties are qualified by extensive disclosure given during the due diligence and negotiation process. No warranties were given by Quindell in respect of historic accounting policies.

Of the net cash received, approximately £36.0m has been used to settle outstanding bank debt on completion, in accordance with an agreement made with the Group's bankers. We have placed the balance on safe deposit with UK regulated banks of AAA/AA rating in sterling deposits of maximum one month term. Excluding the Group's principal banker, RBS, no deposit with any one bank will exceed £150.0m.

The disposal contains an element of contingent consideration in relation to future receipts arising on NIHL cases which were current on the sale date. Given the inherent uncertainties of this 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. The Company has performed a valuation exercise and has determined that a prudent estimate of the current value of the contingent consideration is approximately £39.6m.

The profit on disposal estimated above reflects the Group's consolidated position. The planned return of capital to shareholders following the disposal of the PSD is subject to the procedure described in paragraph 1.11 below.

1.10.2 Other asset sales

On 4 March 2015, the Group disposed of its interest in Nationwide Accident Repair Services Plc ("NARS") for £7.1m. On 5 January 2015, the Group part disposed of a share of its investment in 360 Globalnet Limited ("360") for £1.0m and then disposed of its remaining interest in 360 and related entities on 22 May 2015 for £5.0m (£4.2m on completion and £0.8m in cash due in August 2016). No disposal resulted in either a profit or loss on sale in comparison to the carrying value as at 31 December 2014.

1.11 Return of capital

On announcement of the disposal of the PSD on 30 March 2015, the Company announced its intention to return the majority of the proceeds of the disposal of the PSD to shareholders.

The Company proposes to achieve this via a return of capital to its shareholders, with the remainder being used for general working capital and investment purposes within the retained businesses. The precise amount of any distribution to shareholders has not yet been determined and in deciding the appropriate quantum to be distributed, the Board will need to ensure the interests of creditors are adequately safeguarded (including any contingent liabilities). An appropriate amount will also be held in reserve for developing and growing our businesses. The current desire of the Directors is that the initial tranche will be not less than £1 per ordinary share and up to £500m in total, subject to the process noted in the Chairman's Report. The Company is also seeking permission to carry out a share buy back and this may be effected by way of a tender offer. Depending on the scale and timing of any such share buy back or tender offer, the amount of cash expended on buying shares in the market will reduce the amount of cash set aside to be otherwise distributed to shareholders.

A table of current shares in issue, shares expected to be issued, and options outstanding is shown below:

Shares in issue as at 31 July 2015		444,959,317
Shares to be issued:		
BE Insulated (UK) Limited	200,000	
Navseeker settlement (subject to Delaware Court approval)	684,770	
PT Health (under call option agreement)	9,466,666	
		10,351,436
Total		**455,310,753**
Options outstanding as at 31 July (not all options are vested as at 31 July 2015)		
Options expiring 30/06/2019 with exercise price of 240p	7,634,288	
Options expiring 30/06/2019 with exercise price of 600p	583,333	
Options expiring 18/12/2024 with exercise price of 33p	16,333,332	
Options expiring 12/1/2025 with exercise price of 68.65p	11,625,000	
Total number of options outstanding		36,175,953
Total shares, to be issued shares and vested "in the money" options based on the price prior to suspension on 24 June 2015 (124.5p)		**483,269,085**

It is intended that the return of capital will be structured as a capital repayment, by a Court approved reduction of share capital. The Company has received confirmation from HMRC that the gain arising on the sale of the PSD benefits from the substantial shareholding exemption pursuant to Schedule 7AC to the Taxation of Chargeable Gains Act 1992 and is therefore not chargeable to tax.

In view of the proposed payment, the Directors will perform all required legal steps, including obtaining a report from our auditor, in line with s714 of the Companies Act 2006. This will allow the Company to make a determination of its distributable reserves available for the purposes of any share buy backs which it may in future wish to execute.

The Court will be requested to approve both the reduction in capital and a reconstruction of the Company's capital and reserves in order that share capital and share premium are reduced and an appropriate amount of distributable reserves are created. The creation of distributable reserves will allow for the payment of dividends in subsequent periods.

The completion of the interim Financial Statements and associated review by our auditors, along with the required Court approval process, is currently anticipated to conclude in order to allow a return of capital to shareholders during November 2015.

The Company will seek further distributions as contingent consideration from the disposal of the PSD is realised and as the £50.0m warranty escrow is released in November 2016.

1.12 Group employees

Information in relation to employees of the Group is included in the Director's Report on pages 25 to 26.

2. Financial Review

The PSD has been classified as a discontinued operation during 2014 and 2013 and as an asset held for sale at the year end. Accordingly, this review focuses primarily on the continuing operations of the Group unless otherwise stated. 2013 comparatives shown are as restated in the Financial Statements.

2.1 Performance and adjusted results

Revenues for the continuing businesses are up £11.0m from 2013 to 2014. The combined movement year on year for Gross Margin of a decrease of £9.1m, Normal Administration Expenses increasing by £46.7m and share of Associates profits increasing by £0.5m has combined to reduce adjusted EBITDA by £40.7m once the Amortisation and Depreciation increase of £14.6m is removed.

All the Group's continuing businesses suffered significant but not permanent market, revenue and operating challenges as a result of the Quindell corporate, organisational, reputational and cash flow problems which started in 2014. The impacts of these problems have continued into 2015 and the Directors expect it will be 2016 before they can be expected to have recovered to deliver their full potential.

2.1.1 Revenue

Revenue for 2014 for continuing operations was £72.0m (2013: £61.0m).

Principal business revenues in telematics, insurance broking and insurance related technologies within the Solutions Division rose £2.7m from 2013 to 2014 with Himex and Ingenie adding £13.1m due to their addition to the Group in early 2014. QETS fell £9.7m year on year due to a one off telematics device sale to Himex pre acquisition in 2013 that was not repeated in 2014, and a £5.0m decrease in Licence fees year on year to new customers, caused by the fallout from the Group's well publicised issues from April 2014 onwards. During 2013, three new major customers were added whilst in 2014 one was added towards the year end as the fallout started to dissipate.

Non principal business revenues in property services and healthcare services within the PSD and non principal business revenues within the Solutions Division rose from 2013 to 2014 by £8.3m, of which healthcare service provider PT Health added an extra £18.2m year on year. However PT Health only added four months activity in 2013 from acquisition and remained level across the years on a like for like basis.

2.1.2 EBITDA

Adjusted EBITDA from continuing businesses was a loss of £33.3m (2013: profit of £7.4m).

Insurance technology solutions EBITDA fell from 2013 to 2014 by £12.3m due to two key areas. Himex added losses of £3.8m to the Group for 2014. Himex is a business in its formative stage and requires investment to deliver to its potential. During 2014 it also suffered a technical issue with a major component supplier resulting in monthly telematics revenues restricted from July 2014 onwards. The issue has now been fully resolved. QETS' £9.7m revenue decrease contributed to an £8.0m fall in EBITDA for that business. The other technology and property services businesses saw EBITDA move from a profit of £1.3m in 2013 to a loss of £8.4m in 2014 primarily as a result of the Quindell corporate triggered issues noted above. Central costs were £10.0m higher year on year, with non-recurring items showing an adverse movement of £9.2m.

2.1.3 Exceptional costs

Exceptional and non-recurring costs, including impairments, were £194.4m in 2014 against £11.3m in 2013 reflecting both an exceptional year itself and the outcome of a thorough impairment review by the Board of all non-cash assets along with the establishment of prudent provisions for known liabilities. Total impairments were £157.0m (2013: £nil) as analysed below:

Impairments charge 2014	£'m
Goodwill	126.6
Intangibles	9.4
Property, plant and equipment	0.7
Associates	1.4
Investments	1.8
Stock	1.0
Debtor	16.1
Total	**157.0**

Other exceptional costs included legal disputes of £8.0m (2013: £nil), the cost of raising finance £6.1m (2013: £0.1m), exceptional share-based payments of £10.0m (2013: £4.6m), and the loss of £5.8m (2013: £nil) suffered when control was lost of a subsidiary. Full details of exceptional costs are given in note 9 to the Financial Statements.

2.1.4 Profit before tax

Loss before taxation from continuing operations was £238.0m (2013: £8.6m).

As a result of the actions taken by the Board in reviewing the carrying values of non-cash assets, the requirements of accounting standards in relation to acquisitions, the stage of maturity of our continuing businesses along with the Group's corporate issues, the Group has made a significant loss for the year. Many of the items are of a one-off nature and would not be expected to recur.

2.1.5 Cashflow

The Consolidated Cash Flow Statement reported in the Financial Statements includes cash flows from both continuing and discontinued operations. Cash used in operations before exceptional costs, net finance expense and tax was £77.9m (2013: £15.0m), with a cash outflow of £2.1m (2013: 7.3m) from exceptional costs. A further £57.0m (2013: £47.2m) was used in servicing finance, tax and investing activities resulting in a cash outflow before financing of £137.0m (2013: £69.5m). Funds generated by financing were £7.5m (2013: £217.4m) resulting in a decrease in cash and cash equivalents for the year of £129.5m (2013: £147.9m cash increase).

2.1.6 Balance Sheet

The net assets shown in the statement of financial position at 31 December 2014 were £264.0m (2013: £446.0m). This reduction is the result of the loss for the period and was particularly adversely impacted upon by the exceptional charges of £194.0m and the loss from discontinued operations of £133.2m.

The principal components of the balance sheet as at 31 December 2014 are summarised below:

As at 31 December 2014 **By business type**	£'m
Insurance technology solutions businesses	**126**
PSD discontinued held for sale	**121**
Other net assets	**17**
Net assets	**264**

As at 31 December 2014 **By asset class**	£'m
Non-current assets	**189**
Working capital excluding net cash	**(33)**
Net cash	**29**
Provisions and deferred tax	**(42)**
PSD discontinued held for sale	**121**
Net assets	**264**

2.1.7 Net cash and financing

Of the £180.0m cash that the Group started the year with, approximately £80.0m was invested in the PSD, primarily in growing the NIHL business line. £26.0m was paid in corporation taxes and the balance of £24.0m of net cash outflows utilised in financing the growth of the businesses both organically and by acquisition to leave a closing cash and cash equivalents of £50.0m.

2.1.8 Prior year adjustments

As set out in note 3 to the Financial Statements, a number of prior year adjustments have been reflected in the Financial Statements in relation to revisions to accounting policies and correction of accounting errors.

On 20 March 2014, the FRC's Conduct Committee opened an enquiry into the Group's Financial Statements for the year ended 31 December 2012. This enquiry focused on revenue recognition in the PSD. The FRC extended its enquiry to certain aspects of the Financial Statements for the year ended 31 December 2011 on 30 September 2014. The Board has co-operated with the FRC throughout its enquiry and has considered the implications arising from their findings. In reaching its conclusions, the Board has been mindful of the key concepts of relevance, reliability and understandability of the financial information being presented. Throughout this process, and co-operating with the FRC's Conduct Committee, the Board has kept the Auditor, KPMG, fully informed and, as appropriate, utilised their independent expert opinion in arriving at its conclusions.

A summary of the impacts of these adjustments is set out below, the detail and explanations are included in note 3 to the Financial Statements.

	Profit/(loss) for the year £'m	**Net Assets £'m**
Year ended / as at 31 December 2013		
As previously stated	83	668
Revisions to accounting policies		
PSD revenue recognition and related accounting entries	(130)	(156)
Corrections to accounting errors / adjustments		
Mission Capital reverse acquisition	-	(25)
Transactions with TMC	-	(2)
Acquisition related consideration and share-based payments	(1)	(19)
Revenues from sales to companies that were subsequently acquired	(20)	(20)
As restated	(68)	446
Year ended / as at 31 December 2014		
Proforma	(92)	702
Revisions to accounting policies		
PSD revenue recognition and related accounting entries	(282)	(438)
As restated	(374)	264

2.1.9 Earnings per share

Basic EPS was a loss of 56.411 pence per share (2013: loss of 2.348 pence per share) and adjusted basic EPS, as defined in note 14 to the Financial Statements, was a loss of 9.582 pence per share (2013: profit of 2.369 pence per share).

2.2 Dividends

A dividend of £6.2m was paid during the year (2013: £nil). The Directors do not recommend the payment of a final dividend.

2.3 Going Concern

Following the disposal of the Professional Services Division the number of entities within the Group and the Group's associated working capital requirements were significantly reduced. The cash proceeds of £637.0m have been used to repay bank loans of £40.0m and, as described above, up to £500m of the sales proceeds are expected to be repaid to shareholders as a return of capital. The Group has concluded that the remaining cash reserves, together with ongoing operating cash flows and receipts of contingent consideration from the disposal of the PSD and consideration from anticipated sales of non-core assets, 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.

2.4 Internal financial discipline

Following the disposal of the PSD we are defining the financial disciplines under which we will operate at the Group and operating company level. We have summarised below the key areas upon which we will focus:

- Ethics. Relationships and transactions will be conducted to high ethical standards. Customers, staff and suppliers will be treated fairly and transactions will be concluded on an arms-length basis. Regulators will be communicated with on an open and prompt basis;
- Safeguarding of assets. We will ensure that the assets of the Group are appropriately protected and managed and that maximisation of shareholder value is at the heart of all transactions involving corporate assets;
- Cash and profit management. The Group and operating businesses will be managed such that both profits and cash are given equal focus, recognising that some operating businesses may require investment to generate increased future profit and cash. Revenues and profit growth will be balanced by a requirement for there to be appropriate realisation of profits into cash. Dividend policy will be established such that cash profit generation forms the basis of a future sustainable dividend flow to our shareholders;
- Establishment of an Investment Committee. Operating businesses will be challenged to deliver profitable growth and the timescales for each will depend on their relative maturity and market positioning. Appropriate investment will be made by the Group in order to maximize shareholder value from these assets. Each investment will be made following a rigorous business case and evaluation process which will be subject to post investment reviews of outturn;
- Authorisation and accountability. Matters reserved for Board approval and the control environment will be proportionate to the size of the Group. Operating and project expenditure will typically be authorised via the business planning process culminating in an approved budget in advance of the year commencing. Outside of the cycle additional expenditure can be approved subject to the appropriate justification and business case being established if appropriate. Individuals will have authority to approve expenditure to certain limits, determined by type of expenditure. Accountability for expenditure will be ensured via the regular process of business performance reporting and review.
- Financial Planning, Reporting and Monitoring. The Group will run a business cycle as summarised below:

Mid year	Strategic review and target setting for the Group and its operating businesses.
Q3	Operating businesses perform detailed business planning and budget setting for the subsequent 3 years.
Q4	Group review and challenge of operating businesses plans. Board review and approval by year end.
Monthly	Reporting of financial results and KPIs.
Quarterly	Re-forecast of full year expected outturn and review with Group.

In addition to the internal Financial Discipline, the Group will make trading statements and report full and half yearly financial results externally.

2.5 Interim Financial Statements for the period ended 30 June 2015

We intend to prepare a set of interim Financial Statements for the 6 months ended 30 June 2015 which will be subject to review by the Auditor. These Financial Statements will include the anticipated profit on disposal of the PSD in addition to the trading results of that division up to the date of sale and the results of the remaining businesses for the period ended 30 June 2015.

3. Capital management

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

The Group will be managed such that after the sale of the PSD and return of capital to shareholders, there is little or no external debt finance in the business and that the Group maintains sufficient liquid funds in order to be able to fund the growth aspirations of its operating businesses.

4. Principal risks and uncertainties

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

4.1 Strategic risk

The take up rate of telematics by consumers globally and in local markets over the next three to five years, influenced by factors such as end-user perceptions, rate of adoption of new technologies, regulatory drivers and the economic climate could put at risk the Group's ability to meet its strategic objectives in the areas of telematics and connected car solutions. The Group may fail to execute its ongoing strategic plan in relation to connected car and the expected benefits of that plan may not be achieved at the time or to the extent expected. The Group monitors local and global trends alongside other market commentators and analysts. Through its activities within the industry, the Group aims to be at the forefront of connected car initiatives globally.

4.2 Technological change

The markets for the Group's services can be affected by technological changes, resulting in the introduction of new products, evolving industry standards and changes to consumer behaviour and expectations. The Group 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.

4.3 Key personnel and resources

The success of the Group depends to a large extent upon its executive management team and its ability to recruit and retain high calibre individuals at all relevant levels within the organisation. The Group will continue to seek to mitigate this resource risk by investing in and developing staff training programmes, competitive reward and compensation packages, incentive schemes and succession planning.

4.4 Regulatory and reputational risks

The investigation commenced by the FCA and the enquiry of the FRC may affect the Group's reputation and brand and attract negative media coverage. Failure to protect the Group's reputation and brand in the face of regulatory, legal or operational challenges could lead to a loss of trust and confidence and a decline in our existing and future customer base. In addition, regulatory investigations could also affect our ability to recruit and retain talented employees. It is also possible that regulators will seek to levy fines on the Group or Courts will award damages against the Group. Reputational issues may also affect the attractiveness of the Company's shares to new and existing investors.

Following the Group's disposal of the PSD, the parts of the Group that were regulated in the UK by the Solicitors Regulation Authority have been disposed of and that part regulated by the FCA reduced, thereby lessening ongoing regulatory risk in this area.

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

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

4.5 Liquidity risk

Prior to the disposal of the PSD, the Group used borrowing principally to fund its working capital needs. The Group's facilities were repaid following the completion of this disposal. In future, the Group expects to manage liquidity within its cash capacity. The Group 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. In addition, it will manage the timing and value of any future investments in light of forecast cashflow requirements and in light of other expected cash inflows in respect of contingent consideration for NIHL claims and any proceeds from disposals of non-core assets.

4.6 Management of growth

Following the disposal of the PSD, the Group will operate at a smaller scale and be more focussed on its insurance related technology and associated markets. Growth management will be controlled through the planning cycle and include scenario planning to ensure that the businesses are resilient when expanding in key markets and geographical locations.

4.7 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 Group regardless of its operating performance. The Group also faces competition from other organisations, some of which may have greater resources than the Group, or be more established in a particular territory or product area. The Group's strategy is to target a balance of markets, offering a range of tailored or specialised products and services.

4.8 Foreign exchange

The international nature of the Group's operations mean that it is exposed to volatility in exchange rates. This is in respect of foreign currency denominated transactions and the translation of income statements and net assets of foreign subsidiaries. The Group has its most significant presence in North America, and therefore its most significant foreign currency exposure is in relation to US$ and CDN$. Foreign currency exposure is mitigated where possible by matching the purchasing and sales of revenue and cost transactions. The Company has not sought to mitigate its exposure to the translation of net assets although will monitor this as the exposure of the Group's overall net assets to foreign exchange movements will increase following the redistribution of capital during Q4 2015.

5. Complex and judgemental areas of accounting

In preparing these Financial Statements, the Board has been mindful of a number of areas of accounting which are either complex in nature or are subject to other judgements or estimation uncertainty. Significant attention has been paid to ensuring that any such areas are both supportable under IFRS and other relevant accounting practice and that key assumptions used are balanced and supportable. The Board has engaged advisers to support management in certain highly technical or specialist areas of accounting analysis and support, and has acted upon their advice and observations in reaching its conclusions. The primary areas have been summarised below and are set out in more detail in note 5 to the Financial Statements:

- Consideration of the true commercial substance of certain historical transactions. The Board has identified certain historical transactions whose true commercial substance either appears contrary to the previous accounting treatment or retains a degree of ambiguity. The Board has considered these transactions and made investigations and enquiries in order to form a view as to the appropriate accounting treatment in light of their apparent commercial substance. These matters are described further in the Strategic Report, the Basis of Preparation in note 2 to the Financial Statements and where considered appropriate has made Prior Year Adjustments as described in note 3 to the Financial Statements;
- Determination of revised accounting policies in relation to revenue recognition in the PSD;
- Determination of the date of control of key acquisitions where complex option arrangements were in place;
- Determination as to whether there is control or significant influence over businesses;
- Relationship with TMC: In reviewing a number of historic transactions, the Board has concluded, based on the evidence available to it, that TMC was at certain points in time a related party of the Group, although it never had a shareholding in TMC. However, although in some respects the nature of the relationship between TMC and the Company is unclear, the Company does not consider that the substance of the economic relationships between TMC and the Group for the years 2013 and 2014 indicate that it controlled TMC;
- Relationship with SMI Technologies Limited ("SMI"): the Group had an investment in SMI of 19% and during the year obtained an option to increase its investment to 33% and has moved its treatment to an associate as at the year end. The Board has considered the nature of the relationship between SMI and the Group and whilst there are some indicators of control, as defined by IFRS 10, on balance it does not believe that the substance of the relationship between SMI and the Group for the years 2013 and 2014 indicate that it controlled SMI. SMI has been disclosed as a related party;
- The valuation of intangible assets on acquisition;
- Identifying CGUs and measurement and impairment of goodwill;
- Estimation of contingent consideration payable and receivable; and
- Investigation and consideration of the nature of past transactions, their true commercial purpose and the appropriate accounting response.

Mark P Williams
Group Finance Director

By order of the Board

Board of Directors

Richard Rose *(age 59)*
Non - Executive Chairman

Richard Rose is Non-Executive Chairman of AO World plc, Crawshaw plc, Anpario plc and Blue Inc Limited. Previously, he has held a number of positions in organisations such as Booker Group plc where he was Chairman from 2007 to July 2015, AC Electrical Wholesale, where he was Chairman from 2003 to 2006 and Whittard of Chelsea plc, where he was Chief Executive Officer and then Executive Chairman from 2004 to 2006.

David Currie *(age 45)*

Non-executive Director

David Currie has worked within the financial sector for over 20 years, and his appointment has been supported by key major shareholders due to his reputation and track record within the City. David recently established Codex Capital Partners and for the prior 10 years David headed Investec Bank plc's Investment Banking division.

As part of Investec's UK management and investment committee, he oversaw more than 100 clients in both the public and private markets and worked on a wide variety of transactions across many sectors.

The Rt. Hon. Lord Howard of Lympne, CH, QC *(age 74)*
Senior Non-executive Director

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

After his retirement from the House of Commons at the 2010 General Election, Lord Howard was created a Life Peer. He was created a Companion of Honour in the Queen's Birthday Honours List, 2011. Lord Howard is the Non-executive Chairman of Entrée Gold Inc. and the Non-executive Chairman of Soma Oil & Gas Holdings Limited.

Tony Illsley *(age 59)*
Non-executive Director

Tony Illsley has held a variety of senior business positions including Chief Executive of Telewest Communications PLC, President of Pepsi Cola Asia Pacific and Senior Independent Non-Executive Director of easyJet PLC.

He is currently Senior Non-executive Director of KCOM plc, and is a Non-Executive Director of Camelot Global Services Limited and Camelot UK Lotteries Limited.

Mark Williams *(age 50)*

Group Finance Director

Mark Williams is a Fellow of the Institute of Chartered Accountants and has nearly 30 years of finance experience.

Mark has had a varied career to date, having qualified with what is now Deloitte. His experience ranges from a technology driven entrepreneurial start up through to divisions of major international FTSE businesses and through several business cycles.

He has operated at board level for the past 15 years, including roles at AXA, Cofunds, Guardian Royal Exchange, Legal & General, Old Mutual and Skandia.

David Young *(age 54)*

Non-executive Director

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

David Young has held numerous non-executive positions and audit committee chairs with insurance and financial services businesses including Partnership Assurance Group plc, the British Gas Insurance group, the Key Retirement Group and is a consultant to Independent Audit Limited.

Directors' Remuneration Report

AIM companies are not required to prepare a Directors' Remuneration Report that complies with the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Report) (Amendment) Regulations 2013 or the Listing Rules of the Financial Services Authority. However, the Board recognises the importance of shareholder transparency and compliance with corporate governance principles. The Company has prepared this report in order to enable a better understanding of Directors' remuneration. The information included in this report is unaudited.

The information in this report relates to the remuneration policy and arrangements that applied during the year ended 31 December 2014. Following completion of the disposal of the PSD after the year end on 29 May 2015, the Remuneration Committee has commenced a process to revise the remuneration policy and arrangements in place to ensure that they are appropriate for the future in light of the scale of change to the organisation and the new technology-led strategy. The new policies will support the Board's ability to attract high calibre executives to enable the Group to deliver optimal shareholder value. The new policy will be disclosed in the 2015 Directors' Remuneration Report.

Remuneration Committee

The Committee was chaired by Anthony Bowers until his death on 27 October 2014. For the period up until his resignation on 18 November 2014, Steve Scott was also a member of the Committee. The Committee did not meet between 27 October and 18 November 2014. The members of the Committee, for the period from 18 November 2014 to the year end (and until 29 May 2015) were Robert Burrow and David Currie.

Tony Illsley was appointed chairman of the Committee in June 2015. The additional members are David Young and Lord Howard.

The Committee will meet at least twice each year and has delegated responsibility for making recommendations to the Board regarding the remuneration and other benefits of the executive Directors, senior executives and the non-executive Chairman. The remuneration of the non-executive Directors is determined by the Board.

Senior executives of the Company may be invited to attend meetings. The Group General Counsel & Company Secretary acts as secretary to the Committee. No Director or other executive is involved in any decisions about his/her own specific remuneration.

Remuneration policy

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

The Board's intention is to combine appropriate levels of fixed pay with incentive schemes that provide executives with the ability to earn above median levels for true out-performance and which encourage executive co-investment in the Company's ordinary shares.

In 2014, the remuneration packages for executive Directors comprised the following main elements:

- basic annual salary;
- annual bonus payments in respect of the performance of the individual and the Group calculated as a percentage of salary; and
- share-based long-term incentives via participation in a company share option plan.

The newly formed Committee will review the appropriateness of the policy and the elements of remuneration that should be offered to the new members of the executive Board.

Basic salary

Basic salaries are reviewed by the committee annually to take effect on 1 January. In setting basic salaries the Committee assesses individual responsibilities, experience and performance and considers external market data.

Annual bonus payments

Executive Directors participate in an annual cash bonus scheme payable based on consideration of the performance of the Group, achievement of performance criteria and the individual's contribution to that performance.

Long term incentives

Prior to 2015, the Board has granted share options to reward performance at the discretion of the Committee and align the interests of executives with those of shareholders.

Service contracts

For the year ended 31 December 2014, service contracts for the executive Directors were for no fixed term and terminable on 12 months' notice from the Company or from the Director.

None of the executive Directors in place in 2014 remain employed by the Group. Following completion of the disposal of the PSD, the service contracts for executive Directors will be terminable on between three and 12 months' notice from the Company or from the Director. Should an occasion arise where early termination occurs, the Company will have due regard to all relevant circumstances including the obligation of the departing Director to mitigate any loss which may be suffered.

Non-executive Directors

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

Directors' emoluments

The remuneration of the Directors, including the highest paid Director who was Robert Terry, was as follows:

	Salary and fees £'000	Annual cash bonus £'000	Other remuneration (see 1.5.5 of Strategic Report) £'000	Contributions to personal pension schemes £'000	Compensation for loss of office £'000	**Total 2014 £'000**	Total 2013 £'000
Executive							
R Terry (3)	792	-	-	-	1,480 (11)	**2,272**	**1,320**
L Moorse (9)	410	154	-	61	-	**625**	**430**
R Fielding (1)(9)	186	350	1,440 (10)	-	-	**1,976**	**-**
	1,388	504	1,440	61	1,480	**4,873**	**1,750**
Non-executive							
D Currie (2)	123	-	-	-	-	**123**	**-**
A Bowers (6)(7)	140	-	-	-	-	**140**	**44**
R Bright (4)(9)	55	-	-	-	-	**55**	**10**
R Burrow (7)(9)	60	-	-	-	-	**60**	**29**
R Cooling (4)(9)	63	-	-	-	-	**63**	**10**
S Scott (3)(7)(8)	50	-	-	-	-	**50**	**29**
J Cale (5)(7)	-	-	-	-	-	**-**	**20**
Total	1,879	504	1,440	61	1,480	**5,364**	**1,892**

Notes

1. Appointed 19 June 2014
2. Appointed 14 July 2014
3. Resigned 18 November 2014
4. Appointed 30 September 2013
5. Resigned 30 September 2013
6. Resigned 27 October 2014 due to death
7. Non-executive Director fees were paid to companies connected to these Directors (see note 39 to the Financial Statements)
8. Also provided services to the Group (see note 39 to the Financial Statements)
9. Resigned 29 May 2015
10. On 8 January 2014, as part of the Group's acquisition of ACH, R Fielding received 8,783,036 ordinary shares of 1 pence as consideration for his shares in ACH. The Group has treated this issue as a share-based payment and has recognised the value of his shares as an expense of £1.44m in the Financial Statements. In addition, as set out in note 3 to the Financial Statements, R Fielding received 6,600,000 ordinary shares of 1 pence as consideration for his shares in QFS which was acquired by the Group in October 2013
11. On 17 November 2014, R Terry and the Company entered into a Settlement Agreement in which the Company agreed to pay R Terry the sum of £950,000 as pay in lieu of notice, the sum of £292,000 in lieu of historic pension contributions not previously made and £238,000 in lieu of the provision of other contractual benefits

Directors' interests in shares

The interests of the Directors in the ordinary shares of the Company were as follows:

	31 Dec 2014 (1)(2)		31 Dec 2013 (3)
R Terry (4)	38,100,000	(5)	684,000,000
L Moorse	1,046,666	(5)	17,850,000
A Bowers (4)	97,932		1,337,415
R Bright	225,039		1,850,611
R Burrow (4)	1,071,666		15,775,00
R Cooling	487,066		7,000,000
S Scott (4)	4,462,992	(5)	76,594,884
R Fielding	1,158,934		1,101,499
D Currie	19,500		-

The interests of the Directors in options in the ordinary shares of the Company were as follows:

	31 Dec 2014	31 Dec 2013(3)
L Moorse	**1,250,000**	18,750,000
R Fielding	**625,000**	9,375,000

Notes
1. The final shareholding has been adjusted to reflect the 1 for 15 share consolidation that occurred on 20 June 2014
2. Or date of resignation if earlier
3. Or date of appointment if later
4. Holding includes ordinary shares held as family interests or by virtue of their position as beneficiary or potential beneficiary of certain trusts of companies
5. On 5 November 2014, the Company announced that certain Directors (now former Directors) of the Company ("the EFH Directors") had entered into agreements ("Agreements") with Equities First Holdings LLC ("EFH") to facilitate a purchase of shares. Under the Agreement, the EFH Directors transferred the legal and beneficial ownership in a number of ordinary shares to EFH in return for the EFH Directors receiving a payment from EFH equal to 67 per cent of the three-day average market value per share less a financing arrangement fee of 3 per cent. (the "EFH Purchase Price"). On the maturity date of the Agreement (two years from the payment of the EFH Purchase Price), the EFH Directors informed the Company that they were contractually obliged (and intended) to purchase the transferred shares or equivalent shares from EFH at a price equal to 69 per cent. of the three-day average market value per share applicable at the date of entering into the facility, less margin calls paid. At the date of their resignation, R Terry and S Scott retained an interest in an additional 8,850,000 and 1,350,000 ordinary shares of 15 pence respectively. At 31 December 2014, L Moorse had terminated his Agreement with EFH and therefore did not have an interest in any further shares over and above those noted in the table above

No options were exercised during the year.

The mid market price of the Company's ordinary shares of 15 pence at 31 December 2014 was 39.5p and the range during the year 1 January 2014 to 31 December 2014 was 32.5p to 660.0p.

This report was approved by the Board on 4 August 2015 and signed on its behalf by:

Tony Illsley
Chairman of the Remuneration Committee

Corporate Governance Report

The Group is supportive of the principles embodied in the UK Corporate Governance Code that was issued by the FRC in 2010 and updated in 2012. This report describes how the principles of corporate governance are applied to the Group.

The Board

The Group has appointed non-executive Directors to bring an independent view to the Board and to provide a balance to the executive Directors. During the year, the Board of Directors comprised of between two and three executive Directors and between four and six independent non-executive Directors, one of whom, Anthony Bowers, was the senior independent Director until his death in October 2014. Following the resignation of Robert Terry and Steve Scott on 18 November 2014, David Currie was appointed Interim non-executive Chairman.

The Board meets monthly throughout the year, and meets at various times between these dates to discuss matters and agree actions on an ongoing basis. In preparation of each regular meeting, the Board receives a board pack with the information necessary for it to discharge its duties. The Board has responsibility for formulating, reviewing and approving the Group's strategy, its financial plans, regulatory announcements, major items of expenditure, investments, acquisitions and disposals and the Directors' Report and annual and interim Financial Statements.

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

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

Board committees

The Board has established four committees: audit, remuneration, nomination and disclosure (set up after year end). The Company Secretary is secretary to each committee.

Audit committee

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

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

Remuneration committee

The Remuneration Committee is currently chaired by Tony Illsley and consists of Tony Illsley, David Young and Lord Howard. It meets at least twice a year and is responsible for reviewing the performance of the executive Directors and other senior executives and for determining appropriate levels of remuneration. The Committee's report is set out on pages 20 to 22.

Nomination committee

The Nomination Committee consists of Richard Rose, Lord Howard and Tony Illsley and is chaired by Richard Rose. It meets at least once a year and reviews the size, structure and composition of the Board and makes recommendations on changes, as appropriate. It also gives consideration to succession planning in the light of developments in the business.

Disclosure committee

The Disclosure Committee was constituted in 2015 and currently consists of Mark Williams, David Young and David Currie and is chaired by Mark Williams. The role of the Disclosure Committee is to assist and inform the Board in making decisions concerning the identification of information that requires announcement pursuant to the AIM Rules for Companies and other relevant rules. The Disclosure Committee meets as necessary to consider all relevant matters. It will in particular meet in advance of the release of all trading statements and other announcements of price sensitive information to ensure that they are true, accurate and complete and to consider if they are fair, balanced and understandable.

Shareholder relations

The Company meets with institutional shareholders, shareholder representative groups, and analysts as appropriate and uses its website to encourage communication with private, existing and prospective shareholders. The Company welcomes feedback from investors about its published reports and website. Please address your feedback to our investor relations team by e-mail to *investor@quindell.com* or in writing to Quindell Plc, Quindell Court, 1 Barnes Wallis Road, Segensworth East, Fareham, Hampshire, PO15 5UA.

Internal control and risk management

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

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

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

Going concern

The Board's consideration of the adequacy of the Group's resources to enable it to continue in operational existence for the foreseeable future is set out on page 16.

Directors' Report

The Directors present their report and the audited Financial Statements for the year ended 31 December 2014.

Research and development

Comments on research and development activities are contained in the Chairman's Report on pages 4 to 5 together with the Financial Review on pages 14 to 16.

Dividends

The Directors do not recommend the payment of a final dividend (2013: 0.1 pence). The Company paid a dividend of 0.1 pence per share (based on the ordinary shares of 1 pence nominal value at the time of payment) during the year (2013: £nil).

Significant shareholders

The Directors have been notified, or are aware of the following interests in the issued share capital of the Company:

M & G Investments (Prudential): 29,166,666 ordinary shares (representing approximately 6.55% shares in issue).

Political donations

The Group did not make any charitable or political donations in the year (2013: £nil).

Branches outside the UK

The Group operates businesses and offices outside of the UK including in Scottsdale, Arizona in the United States and Toronto, Canada.

Financial instruments

The financial instruments comprise borrowings, derivative financial instruments, 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 Group's operations. Further information in relation to the financial risk management objectives of the Group, the financial risk factors noted and a detailed analysis of the Group's exposure to interest risk, liquidity risk, capital risk and credit risk is included in notes 3 and 33 to the Financial Statements. Further information is also included in note 33 to the Financial Statements in relation to a derivative financial instrument (an equity swap) held during the financial year (exited prior to the end of the year). At the end of the year, the Group did not have complex financial instruments.

Directors and Company Secretary

The names of the current Directors, together with brief biographical details, are shown on page 19. On 19 June 2014, Robert Fielding was appointed as Group Chief Executive Officer and Director. On 14 July 2014, David Currie was appointed as non-executive Director. On 27 October 2014, Anthony Bowers, senior independent non-executive Director, sadly passed away. On 18 November 2014, Robert Terry resigned as Executive Chairman and Steve Scott resigned as non-executive Director. On the same date, David Currie was appointed as Interim non-executive Chairman.

On 29 May 2015, following completion of the disposal of the PSD, Richard Rose was appointed as Non-executive Chairman and David Currie stepped down as interim non-executive Chairman but remained on the Board as non-executive Director. The Right Honourable Lord Howard of Lympne, David Young and Tony Illsley joined the Board as non-executive Directors and Mark Williams as Group Finance Director. On the same date, Robert Fielding and Laurence Moorse resigned as Directors.

On 1 July 2014, Edward Walker was appointed as Company Secretary. On 29 May 2015, Edward Walker resigned and Stefan Borson was appointed as Company Secretary.

Transactions in which one or more of the Directors had a material interest in and to which the Company, or its subsidiaries, was a party during the financial year are described in note 39 to the Financial Statements. Other than as described in that note, there were no contractual relationships between the Directors and companies with which they are connected and the Quindell Plc group of companies during the year.

Directors' indemnification

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which remain in force at the date of this report.

Disabled persons policy

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate retraining is arranged. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Annual General Meeting

The Annual General Meeting of the Company will be held at Botleigh Grange, Grange Road, Hedge End, Southampton SO30 2FL on 2 September 2015 at 11:00am. The Notice of Meeting will be available to view on the Company's website, www.quindell.com, on 5 August 2015.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the performance of the Group and the Company.

Statement of Directors responsibilities in respect of the Annual Report, Strategic Report, the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the Group and parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. As required by the AIM Rules for Companies they are required to prepare the Group Financial Statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company Financial Statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company 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;
- for the Group Financial Statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company Financial Statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent 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 Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Auditors

The Board has decided to propose the reappointment of KPMG LLP as auditors and a resolution concerning their reappointment will be proposed at the forthcoming AGM.

Disclosure of information to the auditors

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

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

(b) each of the Directors has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information (as defined) and to establish that the auditors are 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

Richard Rose
Non-executive Chairman

Independent Auditor's Report to the members of Quindell Plc

We have audited the Financial Statements of Quindell PLC for the year ended 31 December 2014 set out on pages 29 to 132 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 and, as regards the parent company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

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 26, 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 the Financial Statements

The audit evidence available to us was limited in the following areas:

- As explained in note 3 to the Group Financial Statements and note 42 to the Parent Company Financial Statements, the current Directors have taken into account all available information in the application of the Group and parent company's accounting policies and in forming judgments over a number of identified prior year adjustments relating to certain historical acquisitions, revenue and share transactions and the disclosure in these Financial Statements of previously inadequately disclosed related party and share transactions. The current Directors have amended the accounting and disclosure of these transactions based on information that has now been made available by former members of management, former Directors and others in response to enquiries by them and by us and which was not part of the Group's or parent company's records and had not previously been made available to us.

  In a number of respects this information contradicts representations previously made to us by former members of management and former Directors as well as information contained in the Group's and parent company's accounting records and calls 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 former Directors, the intention or commercial purpose of certain of these transactions and/or the values to attribute to the transactions remain unclear. Whilst the current Directors believe that all material transactions have been identified and reviewed, it is also possible that there are transactions into which the Group has entered of which they are unaware, as a result of weaknesses in the books and records maintained by the Company, in fulfilling their responsibilities to prepare these Financial Statements and to provide to us all the information and explanations that we considered necessary for the purpose of our audit. We have not identified alternative evidence that would allow us to resolve this. As set out in note 2 to the Group Financial Statements, they would expect any such transactions affecting the 2014 statement of financial position, if material, to have been identified during the course of preparation of the Financial Statements and related work, but notes the possibility that additional related party transactions may exist which would fall to be disclosed.

  Owing to the deficiencies in the Group's and parent 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 Group's and parent company's net assets as at 31 December 2012 and 2013 and the Group's loss for the years ended 31 December 2013 and 2014; and

- As set out in note 39 to the Group Financial Statements and note 60 of the Parent Company Financial Statements, the current Directors identified a number of previously undisclosed related party transactions (including share transactions) with former Directors and others, often but not always related to the historical acquisitions, revenue and share transactions referred to above. We have been unable to obtain sufficient audit evidence to conclude whether or not there are additional related party transactions which would be required to be disclosed under International Accounting Standard 24 and the Companies Act 2006.

Qualified opinion on the Financial Statements

In our opinion, except for the possible effect solely on the prior years' comparative information of the matters described in "Basis for qualified opinion on Financial Statements" above, the Financial Statements give a true and fair view of the state of the Group and parent company's affairs as at 31 December 2014.

In our opinion, except for the possible effect of the matters described in "Basis for qualified opinion on Financial Statements" above:

- the Financial Statements give a true and fair view of the Group's loss for the year ended 31 December 2014;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

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 limitation on our work relating to a number of identified prior year adjustments and previously inadequately disclosed related party and share transactions described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- in our opinion adequate accounting records have not been kept.

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:

- 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.

W. Smith.

William Smith, Senior Statutory Auditor
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Dukes Keep
Marsh Lane
Southampton
SO14 3EX

4 August 2015

Financial Statements

Consolidated Income Statement

for the year ended 31 December 2014

	Note	2014 £'000	Restated 2013 £'000
Revenue			
- Solutions		**33,580**	38,432
- Services		**38,435**	22,599
Total revenue		**72,015**	61,031
Cost of sales		**(49,882)**	(29,810)
Gross profit		**22,133**	31,221
Administrative expenses			
- Normal		**(76,704)**	(29,964)
- Share-based payments	28	**(7,432)**	(2,819)
- Impairments	9	**(157,028)**	-
- Other exceptional costs	9	**(37,367)**	(11,325)
- Total administrative expenses		**(278,531)**	(44,108)
Other income	10	**18,001**	4,186
Share of results of associates		**712**	242
Group operating loss	8	**(237,685)**	(8,459)
Finance income	12	**553**	270
Finance expense	12	**(902)**	(376)
Loss before taxation		**(238,034)**	(8,565)
Taxation	13	**(3,242)**	1,838
Loss after taxation for the year from continuing operations		**(241,276)**	(6,727)
Discontinued operations			
Loss for the year from discontinued operations (attributable to equity holders of the Company)	37	**(133,208)**	(60,980)
Loss for the year		**(374,484)**	(67,707)
Attributable to:			
Equity holders of the parent		**(371,919)**	(67,454)
Non-controlling interests	38	**(2,565)**	(253)
		(374,484)	(67,707)

	Note		
Earnings per share from continuing and discontinued operations attributable to the owners of the parent during the year		**Pence**	Pence
Basic loss per share			
From continuing operations	14	**(56.411)**	(2.348)
From discontinued operations		**(31.479)**	(22.121)
From loss for the year		**(87.890)**	(24.469)
Diluted loss per share			
From continuing operations	14	**(56.411)**	(2.348)
From discontinued operations		**(31.479)**	(22.121)
From loss for the year		**(87.890)**	(24.469)

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2014

	2014 £'000	Restated 2013 £'000
Loss after taxation	**(374,484)**	(67,707)
Share of other comprehensive income of associates	**(1,327)**	-
Items that may be reclassified in the Consolidated Income Statement:		
Exchange differences on translation of foreign operations	**1,837**	(4,237)
Fair value movements on available for sale assets:		
Fair value (decrease)/increase on available for sale assets	**(1,500)**	4,186
Fair value movements on available for sale assets taken to the Consolidated Income Statement:		
Previous fair value loss/(gain) recognised in the Consolidated Income Statement in respect of an investment becoming an associate on a stepped acquisition	**1,500**	(4,186)
Total comprehensive income for the year	**(373,974)**	(71,944)
Attributable to:		
Equity holders of the parent	**(371,409)**	(71,691)
Non-controlling interests	**(2,565)**	(253)
	(373,974)	(71,944)

Consolidated Statement of Financial Position

as at 31 December 2014

	Note	2014 £'000	Restated 2013 £'000	Restated 2012 £'000
Non-current assets				
Goodwill	16	**97,832**	192,947	108,930
Other intangible assets	15	**66,271**	58,901	70,736
Property, plant and equipment	17	**14,091**	9,357	7,296
Interests in associates	18	**7,169**	39,428	-
Investments	19	**4,017**	3,188	7,143
		189,380	303,821	194,105
Current assets				
Inventories	20	**3,473**	318	160
Trade and other receivables	21	**32,863**	153,645	123,622
Corporation tax assets	13	**7,196**	-	-
Cash	22	**42,036**	199,596	48,050
		85,568	353,559	171,832
Assets of disposal group classified as held for sale	37	**303,674**	-	-
Total current assets		**389,242**	353,559	171,832
Total assets		**578,622**	657,380	365,937
Current liabilities				
Bank overdraft	22	**(4,968)**	(19,642)	(15,871)
Borrowings	24	**(3,133)**	(26,501)	(6,280)
Trade and other payables	23	**(73,810)**	(139,015)	(127,246)
Corporation tax	13	**-**	(3,690)	(7,460)
Obligations under finance leases	25	**(1,081)**	(610)	(479)
Provisions	26	**(30,809)**	(5,341)	(2,413)
Deferred tax liabilities	27	**-**	(56)	(533)
		(113,801)	(194,855)	(160,282)
Liabilities of disposal group classified as held for sale	37	**(182,845)**	-	-
Total current liabilities		**(296,646)**	(194,855)	(160,282)
Non-current liabilities				
Borrowings	24	**(4,947)**	(11,961)	(7,475)
Trade and other payables	23	**-**	(1,896)	(6,032)
Obligations under finance leases	25	**(1,080)**	(661)	(568)
Provisions	26	**(257)**	-	-
Deferred tax liabilities	27	**(11,196)**	(2,348)	(2,633)
		(17,480)	(16,866)	(16,708)
Total liabilities		**(314,126)**	(211,721)	(176,990)
Net assets		**264,496**	445,659	188,947
Equity				
Share capital	28	**65,467**	56,700	36,216
Share premium account	29	**430,070**	322,905	103,523
Reverse acquisition and merger reserve	29	**178,258**	113,857	63,476
Shares to be issued	29	**30,744**	55,505	28,635
Other reserves	29	**31,036**	(1,854)	(23,188)
Foreign currency translation reserve	29	**(2,401)**	(4,238)	(1)
Retained earnings		**(472,743)**	(100,962)	(19,989)
Equity attributable to equity holders of the parent		**260,431**	441,913	188,672
Non-controlling interests	29	**4,065**	3,746	275
Total equity		**264,496**	445,659	188,947

The Financial Statements of Quindell Plc, registered number 05542221, on pages 29 to 111 were approved and authorised for issue by the Directors on 4 August and signed on its behalf by:

Mark P Williams
Director

Richard Rose
Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2014

	Share capital £'000	Share premium account £'000	Reverse acquisition and merger reserve £'000	Shares to be issued £'000	Other reserves £'000	Foreign currency translation reserve £'000	Non-controlling interests £'000	Retained earnings £'000	Total £'000
At 1 January 2013 as previously stated	36,216	102,026	74,318	30,178	(1,188)	(1)	275	30,336	272,160
Effect of restatements(note 3)	-	1,497	(10,842)	(1,543)	(22,000)	-	-	(50,325)	(83,213)
At 1 January 2013 as restated	36,216	103,523	63,476	28,635	(23,188)	(1)	275	(19,989)	188,947
Loss for the year as restated	-	-	-	-	-	-	(253)	(67,454)	(67,707)
Other comprehensive income	-	-	-	-	-	(4,237)	-	-	(4,237)
Total comprehensive income	-	-	-	-	-	(4,237)	(253)	(67,454)	(71,944)
Issue of share capital	20,484	226,744	50,381	(30,178)	-	-	-	-	267,431
Shares to be issued	-	-	-	57,048	22,000	-	-	(1,543)	77,505
Directly attributable costs incurred in issuing of equity shares	-	(10,593)	-	-	-	-	-	-	(10,593)
Shares treated as held in treasury	-	-	-	-	(8,061)	-	-	-	(8,061)
Disposal of shares treated as held in treasury	-	-	-	-	-	-	-	(8,745)	(8,745)
Transfer of prior year gain on sale of shares held in treasury	-	3,231	-	-	-	-	-	(3,231)	-
Share-based payments	-	-	-	-	7,395	-	-	-	7,395
Non-controlling interest at acquisition	-	-	-	-	-	-	3,838	-	3,838
Non-controlling interest acquired	-	-	-	-	-	-	(114)	-	(114)
Total transactions with owners, recognised directly in equity	20,484	219,382	50,381	26,870	21,334	-	3,724	(13,519)	328,656
At 31 December 2013 as restated	56,700	322,905	113,857	55,505	(1,854)	(4,238)	3,746	(100,962)	445,659
At 1 January 2014 as previously stated	**56,700**	**321,408**	**124,699**	**54,151**	**998**	**(4,238)**	**3,746**	**110,054**	**667,518**
Effect of restatements(note 3)	**-**	**1,497**	**(10,842)**	**1,354**	**(2,852)**	**-**	**-**	**(211,016)**	**(221,859)**
At 1 January 2014 as restated	**56,700**	**322,905**	**113,857**	**55,505**	**(1,854)**	**(4,238)**	**3,746**	**(100,962)**	**445,659**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(2,565)**	**(371,919)**	**(374,484)**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**1,837**	**-**	**(1,327)**	**510**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**1,837**	**(2,565)**	**(373,246)**	**(373,974)**
Issue of share capital	**8,767**	**105,461**	**64,401**	**(73,802)**	**(2,826)**	**-**	**-**	**-**	**102,001**
Shares to be issued	**-**	**-**	**-**	**73,118**	**-**	**-**	**-**	**-**	**73,118**
Shares no longer issuable	**-**	**-**	**-**	**(24,077)**	**-**	**-**	**-**	**24,077**	**-**
Shares treated as held in treasury	**-**	**-**	**-**	**-**	**(36,659)**	**-**	**-**	**-**	**(36,659)**
Disposal of shares treated as held in treasury (note 29)	**-**	**1,704**	**-**	**-**	**32,055**	**-**	**-**	**(16,432)**	**17,327**
Share-based payments	**-**	**-**	**-**	**-**	**17,386**	**-**	**-**	**-**	**17,386**
Fair value adjustment to share consideration (note 29)	**-**	**-**	**-**	**-**	**22,934**	**-**	**-**	**-**	**22,934**
Dividends paid (note 41)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(6,180)**	**(6,180)**
Non-controlling interest at acquisition (note 36)	**-**	**-**	**-**	**-**	**-**	**-**	**45,655**	**-**	**45,655**
Non-controlling interest acquired (note 38)	**-**	**-**	**-**	**-**	**-**	**-**	**(42,771)**	**-**	**(42,771)**
Total transactions with owners, recognised directly in equity	**8,767**	**107,165**	**64,401**	**(24,761)**	**32,890**	**-**	**2,884**	**1,465**	**192,811**
At 31 December 2014	**65,467**	**430,070**	**178,258**	**30,744**	**31,036**	**(2,401)**	**4,065**	**(472,743)**	**264,496**

Consolidated Cash Flow Statement

for the year ended 31 December 2014

	Note	2014 £'000	Restated 2013 £'000
Cash flows from operating activities			
Cash used in operations before exceptional costs, net finance expense and tax	31	**(77,874)**	(15,043)
Cash outflow from exceptional costs		**(2,108)**	(7,268)
Cash used in operations before net finance expense and tax		**(79,982)**	(22,311)
Finance expense paid		**(2,135)**	(2,078)
Finance income received		**570**	384
Corporation tax paid		**(25,747)**	(10,409)
Net cash used by operating activities		**(107,294)**	(34,414)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(8,524)**	(2,484)
Purchase of intangible fixed assets		**(13,126)**	(12,259)
Proceeds on disposal of property, plant and equipment		**-**	360
Proceeds from sale of subsidiary undertaking and sale of operations		**-**	2,480
Advance receipt in respect of sale of PSD		**8,047**	-
Proceeds from sale of investments		**1,500**	-
Acquisition of subsidiaries net of cash acquired		**(8,746)**	(6,233)
Disposal of subsidiary net of cash foregone		**(3,849)**	-
Purchase of associated undertakings		**(500)**	(10,651)
Purchase of fixed asset investments		**(1,751)**	-
Deposits held in escrow		**(3,000)**	(1,500)
Loans to investments and other parties		**-**	(4,898)
Dividends received from associates		**208**	109
Net cash used in investing activities		**(29,741)**	(35,076)
Cash flows from financing activities			
Dividends paid		**(6,180)**	-
Issue of share capital		**100**	210,998
Cost of issuing share capital		**-**	(10,592)
Finance lease repayments		**(910)**	(635)
Additional secured loans		**6,678**	12,125
Repayment of secured loans		**(8,247)**	-
Sale of shares treated as held in treasury		**17,328**	4,985
Additional unsecured loan monies received		**164**	518
Repayment of unsecured loans		**(1,386)**	-
Net cash generated from financing activities		**7,547**	217,399
Net (decrease)/increase in cash and cash equivalents		**(129,488)**	147,909
Cash and cash equivalents at the beginning of the year	22	**179,954**	32,179
Exchange gains/(losses) on cash and cash equivalents		**16**	(134)
Cash and cash equivalents at the end of the year	22	**50,482**	179,954
Cash and cash equivalents			
Cash		**69,991**	199,596
Bank overdrafts		**(19,509)**	(19,642)
	22	**50,482**	179,954

The above Consolidated Cash Flow Statement includes cash flows from both continuing and discontinued operations. Further details of the cash flows relating to discontinued operations are shown in note 37.

Notes to the Consolidated Financial Statements

1. General information

These Financial Statements are the consolidated Financial Statements of Quindell Plc, a public limited company registered and domiciled in the United Kingdom, and its subsidiaries ("the Group"). They are presented in pounds sterling, to the nearest thousand, as this is the currency of the primary economic environment in which the Group operates. The address of the registered office is Quindell Court, 1 Barnes Wallis Road, Segensworth East, Fareham, Hampshire, PO15 5UA. The nature of the Group's operations and its principal activities are set out on page 6.

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, excepted as described in note 3.

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 Group accounting policies, which have been applied consistently across the Group, is set out below. The Group has reviewed its accounting policies in accordance with IAS 8 and determined that they are appropriate for the Group and have been consistently applied. The Group has adopted a revised revenue recognition policy in respect of its Services Division, as described in note 3.

In preparing these Financial Statements the Board has taken into account all available information in the application of its accounting policies and in forming judgments. The Board has undertaken extensive investigations of historical transactions which appear to be unusual and/or with related parties using significant third party legal and accounting support. Nevertheless, although we have had discussions with certain members of the previous management team, there are a number of limitations in the information available which lead to unresolvable ambiguities in analysing the substance of certain historical acquisitions, revenue and share transactions in respect of 2011, 2012, 2013 and 2014, where the intention or commercial purpose cannot now 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. It is also possible that there are transactions into which the Group has entered of which we are unaware. The Board would expect any such transactions affecting the 2014 statement of financial position, if material, to have been identified during the course of preparation of the financial statements and related work, but notes the possibility that additional related party transactions may exist which would fall to be disclosed.

As set out in note 3, the Board has revised the accounting treatment and/or fair values attributed to a number of these transactions which, based on the information now available, some of which was not made available or considered in the past, the Board now considers were accounted for incorrectly or where we have been 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 Board considers the revised accounting to be the most appropriate presentation. Where there remain limitations to the information or ambiguities the Board has taken an appropriately prudent view in assessing the recognition and valuation of assets and liabilities as at 31 December 2014. As a result, whilst it cannot be ruled out that there are transactions that should be reflected in the statement of financial position at that date of which the Board is unaware, the Board is satisfied that the statement of financial position at 31 December 2014 is presented fairly in all material respects.

The Board is thus satisfied that the Financial Statements give a true and fair view of the assets, liabilities, financial position and loss for the year.

Going Concern

Following the disposal of the Professional Services Division ("PSD") the number of entities within the Group and the Group's associated working capital requirements were significantly reduced. The gross sales proceeds of £637.0m have in part been used to repay bank loans and up to £500.0m of the sales proceeds are expected to be repaid to shareholders as a return of capital. The Group has concluded that the remaining cash reserves together with ongoing operating cash flows, and receipts of deferred consideration from the disposal of the PSD and consideration from anticipated sales of non-core assets 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.

Basis of consolidation

The Financial Statements represent a consolidation of the Company and its subsidiary undertakings as at the Statement of Financial Position date and for the year then ended. Subsidiaries acquired or disposed of during the year are included in the consolidated Financial Statements from, or up to, the date upon which the investor has control over the investee. In accordance with IFRS 10, the definition of control is such that an investor has control over an investee when: a) it has power over the investee; b) it is exposed, or has the rights, to variable returns from its involvement with the investee; and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. All subsidiary undertakings in which the Group has control have been consolidated in the Group's results.

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

Business combinations

The acquisition of subsidiaries is accounted for in line with IFRS 3. On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the Consolidated Income Statement in the year of acquisition. Where the Group acquires a business with which it had a previous relationship, to the extent that is necessary, any settlement of a pre-existing relationship is separated from the business combination accounting.

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

Assets and disposal groups held for sale

Assets are classified as held for sale if their carrying amount will be recovered by sale rather than by continuing use in the business. Where a group of assets and their directly associated liabilities are to be disposed of in a single transaction, such disposal groups are also classified as held for sale. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition, and management must be committed to and have initiated a plan to sell the asset or disposal group which, when initiated, was expected to result in a completed sale within 12 months. Assets that are classified as held for sale are not depreciated. Assets or disposal groups that are classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Revenue recognition

The Group derives its revenues from the provision of services through its Services and Solutions divisions. Material income streams arising within those divisions are described below.

Revenue earned by the Services Division

Revenue from the rendering of a particular service is recognised upon the delivery of that service to the customer. Where a service is provided in advance of settlement of a claim being reached with the at fault third party insurer, and there is uncertainty regarding the amount of total proceeds to be received, revenue is recognised either to the extent of the expenses which are expected to be recoverable, or deferred until the case is agreed and settled.

The Group earns revenue either as principal or agent, differentiated by the extent to which the Group is at risk for the transaction, and whether it is acting in its capacity as broker or as agent. Where the Group retains the liability for the delivery or settlement of some, or all, of the contract, revenue is accounted for gross. Where the Group acts as broker or agent, the Group's revenue is recorded solely as the fee relating to the provision of services provided by the Group on that transaction.

The material revenue streams of the Services Division relates ultimately to the servicing of parties involved in Road Traffic Accidents ("RTA") or non RTA related personal injury cases. RTA cases typically comprise the provision of all or some of the following services: replacement vehicle hire, vehicle repair, management of personal injury cases, provision of medical reports and rehabilitation. Where more than one service is provided under a single arrangement and it is possible to attribute reliable fair values to each service, the consideration receivable is allocated to the identifiable services. Claims are typically presented to insurers, acting for the at-fault party.

Prior to admission of liability by the at-fault third party insurer, hire revenue is recognised to the extent of expenses incurred which are expected to be recoverable. The hire cost is known, generally being based on prices agreed with third party hirers.

Repair revenue is recognised to the extent of costs incurred on completion of the repair and return of the vehicle. The cost is known on completion of the repair. Prior to admission of liability by the at fault third party insurer, revenue is only recognised to the extent of expenses incurred which are expected to be recoverable.

Revenue for servicing the other aspects of the hire and repair claim is recognised on settlement being reached with the at-fault third party insurer in favour of the claimant.

Revenue from legal services administered through the Ministry of Justice Portal ("MOJ Portal") is recognised on admission of liability by the third party to the extent of attributable fixed fees arising under the MOJ Portal. Any further income arising on these cases and for all cases settling outside of the MOJ Portal, revenue is recognised on the successful settlement of the case.

Amounts incurred by the Group with third parties in relation to legal disbursements are expensed as incurred. Once settlement is reached with the at-fault third party insurer any disbursements previously incurred are sought to be recovered.

Income arising from medical services is recognised in line with the revenue recognition for the legal claim which it supports, either on admission of liability by the third party or settlement of the case. Income on admission of liability by a third party can be reliably estimated based on fees incurred for the medical service. Where claims proceed directly through the courts, revenue for medical services is recognised on settlement of the claim in favour of the claimant. Income arising from rehabilitation services prior to admission of liability is recognised to the extent of expenses incurred which are expected to be recoverable.

Revenue earned by the Solutions Division

The Solutions Division 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 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 Group 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 Group 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.

Telematics services and devices

Revenues are recognised evenly over the period of the contract they relate to, including upfront payments, commencing when the end user takes up the telematics service. All elements of the service are treated as an integrated part of the overall offering and are not unbundled or fair valued because they are not separately usable to the end user. Costs excluding telematics boxes are recognised in the period as incurred. Where telematics devices are included as part of the services to end users they are capitalised and depreciated over their useful economic life. Where telematics devices are sold separately to intermediaries in the telematics revenue chain a sale is recognised for these items when their legal title has passed.

Broking Commissions

Broking commission revenues are recognised at inception of the policy or, where they are paid in installments, over the life of the policy when the end user policy is sold.

Operating segments

For reporting purposes the results of the Group are allocated between two reporting divisions. These operate in specific product and market areas and are described in note 7. The Group's accounting policies are applied consistently across the two divisions. Head office and central costs are shown separately.

Marketing expenses

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

Operating profit

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

Retirement benefit costs

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

Borrowing costs

All borrowing costs are recognised in the Consolidated Income Statement 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

Warrants

The Group has adopted a Black-Scholes model to calculate the fair value of warrants. The fair value is calculated at the time of issue and charged immediately to the Consolidated Income Statement.

Options

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

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

Post combination vendor remuneration

Where consideration towards an acquisition is linked to ongoing employment within the Group this consideration is not treated as a cost of the acquisition. It is treated as post combination remuneration and is recognised in the Consolidated Income Statement 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. Where such costs relate to employees of subsidiaries, this has been accounted for by increasing the Company's cost of investment of those subsidiaries.

Foreign currency translation

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

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the Statement of Financial Position date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are dealt with through the Group's reserves, until such time as the subsidiary is sold whereupon the cumulative exchange differences relating to the net investment in that foreign subsidiary are recognised as part of the profit or loss on disposal in the Consolidated Income Statement. Where the Group loans monies to overseas subsidiaries as quasi-equity, to facilitate an acquisition, this is designated as a net investment hedge in foreign operations and the foreign exchange movement is recognised directly in reserves.

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

Goodwill

Goodwill on the acquisition of a business is recognised as an asset at the date the business is effectively acquired ("the acquisition date") for both Group and subsidiary undertakings. Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred the excess is recognised immediately in the Consolidated Income Statement as a bargain purchase gain.

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

Other intangible assets

Intangible assets with finite useful lives are initially measured at cost, or their fair value on the 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;
- Data and brands: between 2-10 years; and
- Customer contracts: over the anticipated life of contracts.

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

Impairment of tangible fixed assets and intangible assets excluding goodwill

At each Statement of Financial Position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. 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 Group's cost of capital adjusted to reflect current market assessment of time value of money and the risk specific to the asset or cash-generating unit. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense in the Consolidated Income Statement, 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 not provided on freehold land. On other assets, depreciation is calculated to write off the cost less estimated residual values over their estimated useful lives as follows:

Freehold buildings	2%-5% per annum straight line
Improvements to freehold land and buildings	5%-10% per annum straight line
Improvements to leasehold land and buildings	Over the term of the lease
Plant and equipment	20%-33⅓% 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. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease. 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.

Associates

Associates are those entities in which the Group has significant influence, but not control. Significant influence is presumed to exist when the Group holds between 20 and 50 per cent of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring the venturers' unanimous consent for strategic financial and operating decisions. Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated Financial Statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee. The Group has not accounted for any undertakings in which it has a 20 per cent or less shareholding as an associate, other than where the Group gained significant influence through other factors. For all undertakings in which the Group holds between 20 and 50 per cent of the voting power, the Group has considered whether indicators of significant influence exist in respect of such holdings in accordance with IAS 28. All such undertakings in which a significant influence exists have been accounted for as an associate using the equity method.

Investments

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

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

Changes in the fair value of investments classified as available for sale are recognised in other comprehensive income. When investments classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the Consolidated Income Statement as 'Other income'. Dividends on available-for-sale equity instruments are recognised in the Consolidated Income Statement as part of other income when the Group's right to receive payments is established.

Leases

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

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to the ownership of the leased item are capitalised at the inception of the lease at the fair value of the leased asset, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The finance cost is charged to the Consolidated Income Statement over the lease period as part of finance expense.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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 and are stated at their fair value.

Cash and cash equivalents

Cash in the Statement of Financial Position comprises cash at banks and in hand. For the purpose of the Consolidated 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 Group has a present legal or constructive obligation in respect of a past event and it is probable that settlement will be required of an amount that can be reliably estimated.

Taxation including deferred tax

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

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

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

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

Share capital

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

Exceptional costs

Exceptional costs are or are expected to be non-recurring material items which are outside of the Group's ordinary activities. Such items are disclosed separately in the Financial Statements.

3. Revisions to accounting policies and other prior year adjustments

On 20 March 2014, the Financial Reporting Council Conduct Committee ("FRC") opened an enquiry into the Group's Financial Statements for the year ended 31 December 2012. This enquiry included a review of revenue recognition within the PSD. The FRC extended its enquiry to certain aspects of the Financial Statements for the year ended 31 December 2011 on 30 September 2014; specifically these enquiries resulted in the prior year adjustments in relation to the reverse acquisition of Mission Capital plc ("Mission Capital") ("PYA A") and transactions with TMC (Southern) Limited ("TMC") ("PYA B") which are described later in this note. The Board has co-operated with the FRC throughout its enquiry and has considered its implications. In reaching its conclusions the Board has been mindful of the key concepts of relevance, reliability and understandability of the financial information being presented.

As set out later in this note, the Board, along with KPMG, has performed a review of the prior years' Financial Statements and certain key transactions within them, which has led to other prior year adjustments.

PSD revenue recognition and related accounting entries

The Board undertook a review of the Group's principal accounting policies adopted during the year and identified that certain of the policies recognising revenue and deferring case acquisition costs were largely acceptable but were at the aggressive end of acceptable practice. The review also identified that certain policies and their application were not appropriate, principally those relating to the noise induced hearing loss ("NIHL") cases revenue and related balances which became significant during 2014.

The Board decided that a more appropriate and conservative approach to accounting for revenues and, therefore, profits would be to recognise revenues at a later stage. The Board has decided to achieve this by revising the policy for revenue recognition throughout the PSD, also effectively addressing the inappropriate application of those previous policies to NIHL cases and related balances. The Board has not reviewed in detail the judgements and estimates made in the previous policy, neither has the Board formed a different view as to the economic model of the PSD.

Throughout this process, the Board has kept its auditor, KPMG LLP ("KPMG"), fully informed and, as appropriate, taken account of their independent expert opinion in arriving at its conclusions.

The Board has concluded that the revised approach is to recognise revenue later on the basis of services received by the customer. In recognition of the fundamental importance of cash generation as a validity check on profit recognition we have moved revenue and profit recognition to later in the client service cycle. In summary revenues and profits are now recognised, in the majority of cases, when liability is admitted by the at-fault insurer. Related costs are expensed as incurred, specifically marketing costs, which had previously been deferred and expensed only as cases reported revenues and profits. Admission of liability is generally considered to be at settlement of the case and is typically followed shortly thereafter by the invoicing and receipt of cash.

For legal cases revenue will be recognised on admission of liability or settlement of the case by the at-fault third party insurer. Previously, revenue for the legal cases was recognised on a stage of completion basis as supported by the evidence from the considerable case completion track record. In respect of the element of revenue relating to NIHL cases, which became significant during 2014, the Board concluded that the previous accounting policy was inappropriate. Given the Board's decision that a change in policy across the whole of PSD was the appropriate approach to take, and that the amounts in relation to NIHL were not considered to be a significant component of the overall restatement to the prior year results, it has not been reported separately as a prior year accounting error. Revenue recognised in respect of NIHL cases in 2013 was approximately £17.5m and for the 6 months ended 30 June 2014 was £125.6m. Case acquisition costs previously deferred were approximately £2.3m and £11.9m respectively. Full year 2014 revenue for NIHL cases under the previous accounting policy would have been £213.6m and case acquisition costs deferred of approximately £17.4m. Revenue on NIHL cases prior to 2013 was negligible.

Revenue for medical report services will be recognised in line with the legal claim which it supports and for rehabilitation services revenue will be recognised, prior to settlement, to the extent of expenses incurred which are expected to be recoverable as the service is provided. Previously, revenue for medical and rehabilitation services was recognised on delivery of the service.

Revenue for vehicle hire prior to admission of liability by the at-fault third party insurer will be recognised to the extent of cost incurred. Previously, revenue was recognised based on rates recoverable from insurers over the car hire period or repair period, recognising the profit upfront.

In addition to the revenue recognition changes to the Services Division, set out above, there was also an element of revenues for iSaaS Technology Limited ("iSaaS") and Intelligent Claims Management Limited ("ICM"), which are reported in the Solutions Division which has been treated on a consistent basis with the policies set out above resulting in a later recognition of revenue.

In parallel with the revisions to revenue recognition policies, set out above, the Board also revised accounting policies in respect of certain related costs which were deferred as an asset in the Consolidated Statement of Financial Position. The most significant of these related to the treatment of legal case acquisition costs and disbursements. Case acquisition costs will now be written off immediately as incurred. Disbursements will be written off as incurred until the point of settlement on the related case. The Board concluded that the previous accounting policy for case acquisition costs was inappropriate for NIHL. However, as this was not considered to be a significant component of the overall restatement to the prior year results, it has not been reported separately as a prior year accounting error. Total case acquisition costs previously deferred (inclusive of NIHL cases above) at 31 December 2012, 31 December 2013 and 30 June 2014 were £5.6m, £7.4m and £23.3m respectively. Case acquisition costs which would have been deferred at 31 December 2014 under the previous accounting policy were £26.9m.

The impact of these revisions on the current period and comparative, prior to the reclassification of the PSD to discontinued operations and asset held for sale can be summarised as follows:

(Increase)/decrease in loss for the year	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Revenue	**(289,783)**	**(108,720)**
-Legal	*(257,192)*	*(94,403)*
-Medical	*(12,701)*	*(3,145)*
-Rehabilitation	*(1,183)*	*(1,992)*
-Hire & repair	*(2,735)*	*(2,880)*
-Total services	**(273,811)**	**(102,420)**
-Total solutions	**(15,972)**	**(6,300)**
Cost of sales	**(10,185)**	**(4,280)**
Administrative expenses – amortisation of intangible	**(12,341)**	**(31,927)**
Taxation	30,109	15,073
Loss for the year	**(282,200)**	**(129,854)**

The revenue recognition policy change has resulted in reduced profits subject to tax. Where appropriate a reduction in the current year tax charge has been shown. Where losses result from the policy change and cannot be forecast to be utilised in the year, no deferred tax asset has been recognised on these surplus losses.

This policy change has also been reflected in the related acquisition accounting treatment. The previous acquisition accounting treatment included the fair value of claims related assets and liabilities. Consequently, where the revised policy reduces work in progress balances on acquisition it results in the creation of an intangible asset of the same value, representing the fair value of future net revenue on cases acquired. The intangible asset has been amortised over the expected life of the cases acquired. It has been assessed that there is no difference between the original carrying value and the fair value on acquisition. As a consequence the intangible assets at 31 December 2012 increased by £42.8m (2013: £12.3m; 2014: £nil).

In addition, a number of related balance sheet adjustments were made. These included adjustments to bad debt provisioning, the reversal of accrued income and creation of deferred income and reduction of other debtors and creditors. These have been summarised as follows:

Consolidated Statement of Financial Position (decrease)/increase in net assets	Year ended 31 December 2014 £’000	Year ended 31 December 2013 £’000	Year ended 31 December 2012 £’000
Intangible assets	-	12,341	42,823
Trade debtor provision	16,747	9,893	8,001
Corporation tax	45,182	15,073	-
Other debtors	(96,771)	(41,691)	(19,041)
Accrued income	(426,826)	(137,336)	(30,738)
Other creditors	61,015	23,335	8,213
Deferred income	(37,364)	(37,432)	(35,221)
Net assets	**(438,017)**	**(155,817)**	**(25,963)**

The Board has concluded that revenue recognition on the basis set out above provides relevant and reliable information as this revision to accounting policy is a more conservative representation of the substance of the contractual terms of the agreement entered into between the Group and the customer and is more reflective of the service provided to the customer. The revised policy more closely aligns the recognition of revenues and profits with the actual receipts of cash in relation to services provided. Therefore financial reporting outcomes are now more closely aligned with one of the Board’s key performance indicators (“KPIs”) in ensuring the proper management of all the Group’s business activities. The impact of the restatement on the future Financial Statements is confined to the 5 month period ended 29 May 2015. The Financial Statements for the PSD at 29 May 2015 are subject to the production of completion accounts and, therefore, it is not possible to quantify the precise impact of future adjustment.

The Board has concluded in accordance with IAS 8 that this change in policy should be amended by way of prior period adjustments. The nature of the adjustments and the impact on the financial items affected is stated below in parts a-d of this note.

Other prior year adjustments (“PYA”)

As set out in the Basis of Preparation note (note 2), in the preparation of these Financial Statements, the Board, along with KPMG, has performed a review of the prior years’ Financial Statements and certain key transactions included within them. This review has identified additional information, not previously made available to the auditors, indicating a number of omissions from, and misstatements in, the Financial Statements for one or more prior periods. The auditors have limited the scope of their audit opinion having regard to a number of these matters. In a number of respects this information contradicts representations previously made to them by former members of management and former Directors as well as information contained in the prior year Group’s and Parent Company’s accounting records and calls into doubt the previously adopted accounting treatments of these transactions and/or the values that were attributed to the transactions. No additional information was identified in relation to the Mission Capital reverse acquisition.

The adjustments set out below that relate to 2011 have been discussed with the FRC during their enquiry into the Financial Statements for the years ended 31 December 2011 and 2012.

The Company has therefore restated its 2012 and 2013 Consolidated Statement of Financial Position, 2013 Consolidated Income Statement and 2013 Consolidated Cash Flow Statement to reflect the relevant adjustments required to correct the errors identified as described below.

These PYA relate to the following areas:

(a) Mission Capital reverse acquisition;

(b) Transactions with TMC;

(c) Acquisition related consideration, share-based payments, share transactions and equity swaps; and

(d) Revenues from sales to companies that were subsequently acquired.

PYA A: Mission Capital reverse acquisition in 2011

The Group has reviewed its treatment of the acquisition of Quindell Limited (now renamed Quindell Technologies Limited (“QTL”)) by Mission Capital (subsequently renamed Quindell Portfolio Plc, and later Quindell Plc) which occurred in 2011. This was previously accounted for as an acquisition by Mission Capital, but has since been reconsidered and determined that this should have been accounted for as a reverse acquisition in view of the relative sizes, voting rights and Board membership post acquisition. The effect of this adjustment has been to eliminate the goodwill previously recognised on the acquisition of £25.2m, decrease the reverse acquisition reserve recognised on the transaction by £10.8m, and decrease the opening retained earnings of QTL by £14.4m. The adjustment to the reverse acquisition reserve has been presented net against the reverse acquisition and merger reserve. The overall impact is a reduction of net assets of £25.2m compared to those previously reported as at 31 December 2012 and 2013.

PYA B: Transactions with TMC in 2011

The Group has reviewed its treatment of transactions with TMC which occurred in 2011. It has identified that revenues derived from the sale and purchase of shares held by TMC, which had in some respects the characteristics of treasury share transactions, had been previously accounted for as revenue but, in line with the accounting policy adopted from 2012, should have been shown in the treasury share reserve.

The effect of this adjustment in 2011 is to increase the treasury share reserve (shown within the share premium reserve) by £1.5m and reduce retained earnings by the same amount. Furthermore, each of revenue and profit in 2011 should have been reduced by £1.5m. There was no impact to net assets. In the Company's Statement of Financial Position, it is reflected by an increase in the share premium reserve and an increase in the cost of investment in its subsidiaries, as the Company is deemed to have given a capital contribution to one of its subsidiaries.

Furthermore, it has been identified that the Group formerly accounted for the sale of the benefit of certain contracts to TMC, previously acquired from TMC, as revenue. This treatment has been reconsidered and it has been determined that this should have been accounted for as a reduction in the goodwill arising on the original acquisition from TMC. The effect of this adjustment is to reduce goodwill, revenue and profit for the year and retained earnings by £2.0m. Net assets have been reduced by £2.0m. There is no effect to the Company's Statement of Financial Position for this adjustment. Further information relating to TMC is contained in note 39.

PYA C: Acquisition related consideration, share-based payments, share transactions and equity swaps

Acquisition related consideration

On 3 December 2012, the Company announced that it had paid a non-refundable deposit of £19.75m on entering into a share purchase agreement to acquire Abstract Legal Holdings Limited ("ALH"), satisfied by the issue of 28,571,429 ordinary shares of 1 pence each ("Initial ALH Shares") and the payment of £15.0m in cash. The balance of the consideration for the acquisition of ALH was to be satisfied by the issue of 267,800,000 ordinary shares of 1 pence each on completion ("ALH Agreement"). The acquisition of ALH was initially presented in the Financial Statements for the year ended 31 December 2012 as a post balance sheet date business combination. However, on early adoption of IFRS 10 in 2013, the business combination was re-presented as having been effected during 2012.

Pursuant to the ALH Agreement, on completion or termination of the ALH Agreement, the Company had an obligation to pay £5.0m cash to the vendors. From the date of the ALH Agreement on 2 December 2012, the Company had the right to direct the sale of the Initial ALH Shares, with any proceeds in excess of £5.0m being retained by the Company. In the event that the sale of the Initial ALH Shares generated less than £5.0m of net proceeds, Quindell was required to provide any shortfall in cash from its own resources. The commercial effect of this arrangement is that the Company had entered into a financial liability of £5.0m with the vendors of ALH in exchange for the right to retain the proceeds of the Initial ALH Shares.

The effect on the Financial Statements for the year ended 31 December 2012 was to reduce goodwill and shares to be issued by £1.5m, to decrease other reserves (shares treated as held in treasury) by £5.0m and increase accruals by £5.0m. In 2013, goodwill has reduced by £1.5m and retained earnings reduced by £1.5m, being the loss on the shares treated as held in treasury.

Share-based payments

As reported and adjusted in the 2013 Financial Statements, the Board has reviewed certain acquisitions and concluded that in some cases consideration payable previously accounted for as a cost of acquisition and resulting in goodwill should have been treated as post combination vendor remuneration in accordance with IFRS 3. As part of the work in preparing these Financial Statements it has been identified that there are further acquisitions in 2012 and 2013 where the accounting for consideration paid has not followed the requirements of IFRS 3.

The Group has previously disclosed the following acquisitions, consideration paid and resultant goodwill recognised:

Year first reported	Acquisition	Date	Consideration (£'000)	Goodwill (£'000)
2012	SH Auto Services Limited (formerly Simon Hall Associates Limited)("SHA")	May 2012	1,000	1,000
2012	Enzyme International Limited ("Enzyme")	Mar 2012	581	581
2012	SWB Consulting Limited ("SWB")	Sept 2012	1,239	1,010
2013	Skillwise Consulting Limited ("Skillwise")	Sept 2013	2,767	2,767
2013	Quindell Financial Services Limited (formerly MUM Financial Services Limited) ("QFS")	Sept 2013	1,354	1,354

The consideration values are materially the same as the calculated share-based payment charge.

In respect of SHA, Enzyme and SWB, the Company has reviewed the share purchase agreements and identified certain clauses which result in the recovery or non-issuance of contingent shares in the event that the vendors, or individuals with whom the vendors are connected, end their employment or consultancy arrangements with the Group. The Company has concluded that it believes the primary purpose of these acquisitions was to acquire the services of certain members of the management and executive team, or to retain or incentivise them. In the case of Enzyme, which had a previous trading history, there is uncertainty as to whether the issue of shares to the vendor of the business represented remuneration under IFRS 2, whether the transaction was a business combination under IFRS 3, or whether both elements were present in the transaction. However, given the nature of other similar transactions identified during the review, the available evidence as to the value of the company, and the terms of the transaction as referred to above, the Board has concluded that the transaction should be treated entirely as a share-based payment under IFRS 2.

The Company has been informed that Skillwise was acquired in connection with the settlement of a dispute between a vendor of part of the Quindell Property Services ("QPS") division, M Ford (also director and owner of TMC)(see note 39 for further information), and a former business partner of Mr Ford ("SW Vendor"). The dispute was in relation to the ownership of Brand Extension (UK) Limited ("BEUK") or its intellectual property. BEUK had been previously acquired by the Company as part of its acquisition of QPS. The SW Vendor assigned certain IPR to Skillwise prior to its acquisition by BEUK. As the Company has been unable to verify the value of the IPR transferred to Skillwise, while recognising at fair value the shares issued in connection with this transaction, the Group has impaired the whole of the goodwill that was recognised in connection with its acquisition.

In the case of QFS, it is unclear as to whether the substance of the entire transaction, the issue of shares to the vendors of the business, represented remuneration under IFRS 2 or an element represented a business combination under IFRS 3. Given the nature of other similar transactions identified during the review, and conflicting information as to the purpose of this acquisition, the Board has concluded that the transaction should be treated entirely as share-based payment under IFRS 2. The shares issued to R Fielding as part of this acquisition are detailed under the Remuneration Table within the Remuneration Report.

The Directors consider that a more appropriate accounting treatment of the consideration paid pursuant to these agreements is as share-based remuneration under IFRS 2. The effect of this adjustment is to reduce goodwill as at 31 December 2012 by £2.8m, increase trade receivables by £0.8m, increase in provisions for liabilities of £2.4m and reduce retained earnings by £4.4m to reflect the share-based payment charge and related tax. The transactions which arose during 2013 resulted in a cumulative decrease in goodwill of £5.6m, a cumulative increase in trade receivables of £0.4m, a cumulative increase in provisions of £4.3m, reduction in corporation tax payable of £0.5m, an increase in shares to be issued of £1.4m and a cumulative reduction in retained earnings of £10.3m (a £5.9m reduction on the 2013 results within the income statement). The carrying value of the investments have all been reversed from the books of the subsidiaries in which they were originally reflected and the total write off reflected in the books of the Company.

In 2014 further shares were issued that have been treated as a share based payment under IFRS 2 as opposed to being treated as consideration in a business combination per IFRS 3. These totalled to an increase in share capital and premium and an expense to the income statement of £5.9m, with incremental PAYE liabilities and charges totalling to £7.7m.

Share transactions

During 2012 and 2013, Ubiquity Capital LLP and Ubiquity Capital Partners Limited (together, "Ubiquity"), both being entities part owned by J Cale, a non-executive Director of the Company between 25 July 2011 and 30 September 2013, received a fee as an adviser or introducer in connection with the acquisitions of ICM, Overland Associates Limited ("Overland"), Silverbeck Rymer ("SR") and ALH. The Company understands that Ubiquity would typically receive a fee, in the form of Company shares, out of the consideration received by the vendors (although such mechanism to achieve this varied). In historic Financial Statements these fees were included in the cost of investment. On reconsideration of these matters, the Board has determined that these fees should properly be accounted for as acquisition costs of the Group and, therefore, expensed through the income statement at the date of acquisition. The effect of this adjustment is to reduce goodwill and retained earnings at 31 December 2012 and 2013 by £5.8m.

Equity swaps

Since 2012, the Company or its subsidiaries have entered into the following equity swaps:

- the Company issued shares to and at the same time entered into an equity swap arrangement with a third party, Yorkville Global Master SPV, Ltd ("Yorkville") as part of the funding for the acquisition of ALH in 2012 ("ALH Equity Swap"); and
- 360GlobalNet Limited ("360") a subsidiary of the Company entered into an equity swap arrangement with Yorkville in respect of shares in the Company that it then held, which was assigned to TMC in 2013 (the "360 Equity Swap").

ALH Equity Swap

As previously disclosed in 2012 and 2013 Financial Statements, on 1 December 2012, the Group entered into the ALH Equity Swap. The ALH Equity Swap was viewed as being separate from the share issue to Yorkville and was recorded in the balance sheet as a financial instrument at fair value in 2012 and was disposed of during 2013, when it was used as part consideration for a 19% investment in Himex. Any change in the fair value of the derivative financial instrument relating to the ALH Equity Swap was recognised immediately in the income statement.

The Board have reconsidered the accounting adopted in respect of the ALH Equity Swap and consider that in order to assess the substance of the transaction it is necessary to consider the share issue and the ALH Equity Swap together. When viewed in this way, the Board considers that the overall substance was an issue of shares in tranches over a period of time. To the extent that the transactions did not result in the Company receiving cash, the initial share issue has been treated as an issue into the "shares treated as treasury shares" with each subsequent cash receipt under the ALH Equity Swap being treated as an issue of "treasury shares" for cash with Yorkville acting as the Company's agent in return for a fixed fee. As a result, the Financial Statements have been restated to recognise a treasury share balance within equity and de-recognise the derivative financial instrument and to eliminate changes in the fair value of the ALH Equity Swap from the income statement.

The effect of this restatement in 2012 is to reduce trade and other receivables by £13.3m, increase profit in the year by £2.3m, increase retained earnings by £3.7m and increase treasury shares by £17.0m. There is no effect on cash flows in 2012. The effect of the restatement in 2013 is to increase profit in the year by £5.1m and decrease retained earnings by £3.7m. The closing 2013 year end balance sheet is therefore unaffected by this restatement. Inflows from financing activities previously shown as receipts on the ALH Equity Swap have been represented as inflows from sale of shares treated as held in treasury.

360 Equity Swap

On 2 May 2013 the Company acquired a further 40.8% of 360 (taking its interest in 360 to 60%). Pursuant to the terms of this acquisition, the Company issued 23,428,560 ordinary shares of 1 pence (the "New Shares") at 360's direction to Yorkville in exchange for the issue of new 360 shares to the Company. 360 already owned shares in the Company (the "Existing Shares") as a result of the Company's previous investment in 360 which were also transferred to Yorkville. The New Shares and the Existing Shares were together the subject of the 360 Equity Swap. The terms of the 360 Equity Swap provided for the sale each month by Yorkville of a specified number of the Company's shares and for a monthly payment by Yorkville to 360, the value of which was dependent on the Company's share price.

The Board considers that the substance of the 360 Equity Swap is that 360 retained all the significant risks and rewards of ownership of the Company's shares until each tranche was sold and that Yorkville acted as 360's agent in return for a fixed fee.

360 subsequently novated its interest in the 360 Equity Swap to TMC for a total of £4.0m to be paid by TMC to 360 in equal instalments over a 24 month period ("Swap Payments"). Notwithstanding the fact that the Company was not a party to, or a beneficiary of, the 360 Equity Swap, inflows of cash from the 360 Equity Swap which were due to TMC were paid by Yorkville through a Group bank account and used to fund the Swap Payments to 360 on a monthly basis. Over the life of the 360 Equity Swap, TMC realised a gain of £2.3m but no gain or loss was made by the Group as, although the Swap Payments were remitted to the Group which recognised a corresponding increase in the debt it owed to TMC. The gain has, however, subsequently been transferred to Quindell as part of a wider settlement of the Company's arrangements with TMC and M Ford (see note 39 for further details). The Board therefore considers that the purported transfer of 360's rights under the 360 Equity Swap to TMC had no commercial effect and that 360 retained its interest in the Company's shares notwithstanding this transfer.

Having considered the evidence available, the Board has decided that the substance of the transaction is that to the extent that cash had not been received at any point in time 360 owned shares in the Company which should have been recorded as "shares treated as treasury shares" in the Group financial statements with each subsequent cash receipt under the 360 Equity Swap being treated as an issue of "treasury shares" for cash with Yorkville acting as 360's agent in return for a fixed fee.

The changes to the accounting on the 31 December 2013 balance sheet are to reduce goodwill by £0.5m, decrease other debtors by £2.2m, increase retained earnings by £0.1m and decrease other reserves (shares treated as held in treasury) by £2.8m. Cash flows of £1.8m previously shown as a reduction in debtors have been represented as inflows in financing activities. In 2014, the balance in other reserves reduced to nil, retained earnings have increased by £1.6m (being profit from sale of shares treated as held in treasury) and cash inflows of £4.4m were shown as inflows in financing activities.

PYA D: Revenues from sales to companies that were subsequently acquired

As disclosed in the 2013 Financial Statements, the Group engaged in trading activities with certain third parties which the Group subsequently acquired. These trading activities would include either the sale of a perpetual software licence, sale of software consultancy services, a licence to distribute its software or otherwise utilise its IPR.

The Group had applied the requirements of IAS 18 in determining whether revenue should be recognised in the Financial Statements for each of the transactions. In most instances, the Group had concluded that the transactions that were entered into with the counterparty stood alone from any other transactions entered into by the Group and so should be recognised at the contracted values. Furthermore, the Group concluded that each transaction had substance and a commercial purpose. The counterparty transactions typically included the purchase of distribution rights, an investment in the company acquired or acquisition of the company itself.

The Group had also entered into similar transactions during the first half of 2014. During 2014, whilst the Auditors were not engaged to carry out a review of the interim results for the period ended 30 June 2014 ("2014 Interims") they met with management on a number of occasions as part of their ongoing relationship. Prior to the 2014 Interims being issued by the Company, the Auditors raised a number of concerns with management and the then Chairman of the Audit Committee in connection with certain revenue transactions entered into in the first half of 2014. Management and the Company's Audit Committee at the time concluded that the transactions entered into were revenue generative and were, therefore, included in the 2014 Interims.

As discussed in the Strategic Report, the management team responsible for organising and implementing the transactions are no longer employed by the Group. The Board has reconsidered the accounting analysis in respect of the 2014 transactions and concluded that the contracts entered into in 2014 should not be treated as revenue generative under IAS 18 and should not be recognised based on there being linked transactions and/or uncertainty regarding their contracted values. With regard to one transaction with an agreed value of £6.0m, although it is not considered that this transaction lacked commercial substance, fair values have not been able to be attributed to each component of the overall transaction. Without access to the management or Directors at that time, the Board are unable to obtain further evidence to support the fair values. The Group has, therefore, concluded that the transaction should not have been treated as revenue generative.

As a result of this review, the Board, 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 Board and Auditor at that time in taking into account whether the transactions were revenue generative under IAS 18. Had the Board 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 Board 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. Accordingly, the Board has adjusted the Financial Statements to remove the following revenues and profits reported in 2013 from these transactions with companies subsequently acquired:

Company	Sale by company	Revenue £'000	Impact on profit £'000
Ingenie Limited and group companies	Software	9,417	9,417
ACH Group Management Limited	Software	3,300	3,300
Intrinsic Insurance Solutions Inc	Software	2,000	2,000

In one other instance, the Board at that time had determined that revenues generated from the transaction was, in substance, a barter transaction. In this case, the Group sold distribution rights and access to IPR in respect of its policy and claims management software to Himex in exchange for cash consideration of £9.1m. At the same time, the Group agreed to acquire the distribution rights to certain telematics software and IPR for £10.0m.

The Board 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 Board 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 Board are unable to obtain further evidence to support the fair values. The Board has therefore concluded that the transaction should not have been treated as revenue generative and so all the previously recognised revenue has been removed from the 2013 results.

Company	Sale by company	Revenue £'000	Impact on profit £'000
Himex Limited	Distribution licence	9,100	9,100

The Board has also determined that revenues of £1.0m for consultancy services to Loft Space Insulation Limited ("LSI") immediately prior to the purchase of the trade and assets of that business should be removed.

The total effect of these changes results in a reduction in intangible assets of £11.1m, a reduction in interests in associates and investments of £10.4m, a reduction in trade and other receivables of £3.3m, a reduction in trade and other payables of £1.0m, a reduction in corporation tax of £5.1m, an increase in provisions of £1.0m and a reduction in retained earnings of £19.8m. In the cash flow, net cash used by operations has been increased by £23.8m, cash used in the purchase of intangible fixed assets reduced by £9.1m, cash used in the acquisition of subsidiaries net of cash acquired has reduced by £5.3m and cash used in the purchase of associated undertakings has reduced by £9.4m.

Transactions with TMC

As set out in note 39, certain other transactions have come to the attention to the Board in respect of transactions with TMC including:

- the issue of shares in June 2014;
- the acquisition of BEUK; and
- the issue of shares under a trust arrangement.

As set out in note 39, the Board has determined that TMC was a related party for the period from 2011 to 2014 and therefore should have been appropriately disclosed.

In reviewing a number of historic transactions, some of which are set out above as prior year adjustments (PYA A, B and C (360 Equity Swap)), the Board has concluded, based on the evidence available to it, that TMC was at certain points in time a related party of the Group, though it never had a shareholding in TMC.

In light of this, and because aspects of the Company's transactions with TMC require disclosure, the Company has provided in note 39, for completeness, a description of its relationship with TMC from 2011 onwards. Although in some respects the nature of the relationship between the TMC and the Company is unclear, the Company does not consider that the substance of the economic relationships between TMC and the Group for the years 2013 and 2014 indicate that it controlled TMC. Whilst not leading to prior year adjustments to the results it is important to note the additional related party disclosures, relating to prior years, in note 39 and the transactions are disclosed therein.

The key additional disclosures cover the following areas:

Transactions in the Company's shares

During 2012, 2013 and 2014, TMC sold shares to, bought shares from, or lent shares to, various individuals who had a connection with the Company, for example by virtue of being vendors of businesses to the Group. Proceeds from the sale of shares by TMC were remitted to the Group and recognised as a debt owed to TMC. The Group made no pecuniary gain or loss on these transactions, and the dealings in the Company's shares were required to be announced in the usual way.

Acquisition of BEUK

In July 2012, M Ford sold to Quindell 51% of a business which was subsequently renamed BEUK and certain other rights for £1,750,000. In 2013, the Group acquired the remaining 49% of BEUK in connection with the acquisition of QPS. Also in 2013, the Group entered into an agreement with M Ford by which a warranty claim in respect of the acquisition of BEUK was settled, by the forgiveness of a balance of £1,600,000 owed to M Ford.

Issue of shares in June 2014

On 18 June 2014, the Company issued 16,899,321 ordinary shares of 1 pence to TMC. The shares remain unpaid as at the Statement of Financial Position date and the Company has yet to call upon TMC for payment.It appears that some form of trust or related arrangement was intended, pursuant to which TMC would hold the shares on behalf of the Company, or possibly on behalf of certain vendors of companies to the Company; although it is not clear that this trust arrangement was documented or effective. The Company holds a corresponding share certificate for 1,126,621 ordinary shares of 15 pence in safekeeping. The shares have therefore been presented in own equity. It is the intention of the Group to seek either repayment of the unpaid share capital amounting to £169,000 from TMC or apply for 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.

3a. Impact of revisions to accounting policies: Consolidated Income Statement (2014)

	Proforma 2014 £'000	PSD revenue recognition and related accounting entries £'000	**Reclassify to discontinued operations £'000**	**As presented 2014 £'000**
Revenue	582,338	(289,783)	**(220,540)**	**72,015**
Analysed as:				
- Solutions	59,694	(15,972)	**(10,142)**	**33,580**
- Services	522,644	(273,811)	**(210,398)**	**38,435**
Cost of sales	(322,268)	(10,185)	**282,571**	**(49,882)**
Gross profit	260,070	(299,968)	**62,031**	**22,133**
Administrative expenses				
- Normal	(120,193)	(12,341)	**55,830**	**(76,704)**
- Share-based payments	(7,432)	-	**-**	**(7,432)**
- Impairments	(157,028)	-	**-**	**(157,028)**
- Other exceptional costs	(55,490)	-	**18,123**	**(37,367)**
- Total administrative expenses	(340,143)	(12,341)	**73,953**	**(278,531)**
Other income	18,001	-	**-**	**18,001**
Share of results of associates	712	-	**-**	**712**
Group operating loss	(61,360)	(312,309)	**135,984**	**(237,685)**
Finance income	632	-	**(79)**	**553**
Finance expense	(2,197)	-	**1,295**	**(902)**
Loss before taxation	(62,925)	(312,309)	**137,200**	**(238,034)**
Taxation	(29,359)	30,109	**(3,992)**	**(3,242)**
Loss for the year	(92,284)	(282,200)	**133,208**	**(241,276)**
Discontinued operations				
Loss for the year from discontinued operations (attributable to equity holders of the Company)	-	-	**(133,208)**	**(133,208)**
Loss for the year	(92,284)	(282,200)	**-**	**(374,484)**
Attributable to:				
Equity holders of the parent	(89,719)	(282,200)	**-**	**(371,919)**
Non-controlling interests	(2,565)	-	**-**	**(2,565)**
	(92,284)	(282,200)	**-**	**(374,484)**

The impact of the restatements on basic and diluted loss per share in 2014 was to increase basic loss per share by 66.688 pence per share to a loss per share of 87.890 pence and increase diluted basic loss per share by 66.688 pence to a loss per share of 87.890 pence.

The pro-forma column shows the 2014 Consolidated Income Statement before the effect of the policy change for PSD revenue recognition and related accounting entries and the reclassification of the PSD to discontinued operations. See note 37 for further discussion of the reclassification to discontinued operations.

3a. Impact of revisions to accounting policies and prior year adjustments: Consolidated Income Statement (2013)

	As previously stated 2013 £'000	PSD revenue recognition and related accounting entries £'000	PYA C £'000	Reclassify to discontinued operations £'000	PYA C £'000	PYA D £'000	As restated 2013 £'000
Revenue	**380,131**	(108,720)	-	**(185,563)**	-	(24,817)	**61,031**
Analysed as:							
- Solutions	**80,441**	(6,300)	-	**(10,892)**	-	(24,817)	**38,432**
- Services	**299,690**	(102,420)	-	**(174,671)**	-	-	**22,599**
Cost of sales	**(197,815)**	(4,280)	-	**172,285**	-	-	**(29,810)**
Gross profit	**182,316**	(113,000)	-	**(13,278)**	-	(24,817)	**31,221**
Administrative expenses							
- Normal	**(61,441)**	(31,927)	-	**63,404**	-	-	**(29,964)**
- Share-based payments	**(2,819)**	-	-	**-**	-	-	**(2,819)**
- Exceptional costs	**(13,744)**	-	(2,851)	**3,734**	1,536	-	**(11,325)**
- Total administrative expenses	**(78,004)**	(31,927)	(2,851)	**67,138**	1,536	-	**(44,108)**
Other income	**4,186**	-	-	**-**	-	-	**4,186**
Share of results of associates	**242**	-	-	**-**	-	-	**242**
Group operating profit/(loss)	**108,740**	(144,927)	(2,851)	**53,860**	1,536	(24,817)	**(8,459)**
Finance income	**383**	-	-	**(113)**	-	-	**270**
Finance expense	**(2,077)**	-	-	**1,701**	-	-	**(376)**
Profit/(loss) before taxation	**107,046**	(144,927)	(2,851)	**55,448**	1,536	(24,817)	**(8,565)**
Taxation	**(24,350)**	15,073	527	**5,532**	-	5,056	**1,838**
Profit/(loss) for the year from continuing operations	**82,696**	(129,854)	(2,324)	**60,980**	1,536	(19,761)	**(6,727)**
Discontinued operations							
Loss for the year from discontinued operations (attributable to equity holders of the parent)	**-**	-	-	**(60,980)**	-	-	**(60,980)**
Profit/(loss) for the year	**82,696**	(129,854)	(2,324)	**-**	1,536	(19,761)	**(67,707)**
Attributable to:							
Equity holders of the parent	**82,949**	(129,854)	(2,324)	**-**	1,536	(19,761)	**(67,454)**
Non-controlling interests	**(253)**	-	-	**-**	-	-	**(253)**
Profit/(loss) for the year	**82,696**	(129,854)	(2,324)	**-**	1,536	(19,761)	**(67,707)**

The impact of the restatements on basic and diluted loss per share in 2013 was to increase basic loss per share by 54.559 pence to a loss per share of 24.469 pence and increase diluted loss earnings per share by 54.559 pence to a loss per share of 24.469 pence.

See note 37 for further discussion of the reclassification to discontinued operations.

3b. Impact of revisions to accounting policies and other prior year adjustments: Consolidated Statement of Comprehensive Income (2014)

	Proforma 2014 £'000	PSD revenue recognition and related accounting entries £'000	**As presented 2014 £'000**
Loss after taxation	(92,284)	(282,200)	**(374,484)**
Share of Other Comprehensive Income of associates	(1,327)	-	**(1,327)**
Items that may be recognised in the Consolidated Income Statement:			
Exchange differences on translation of foreign operations	1,837	-	**1,837**
Fair value movements on available for sale assets:			
Fair value decrease on available for sale assets	(1,500)	-	**(1,500)**
Fair value movements on available for sale assets taken to the Consolidated Income Statement:			
Previous fair value loss recognised in the Consolidated Income Statement in respect of an investment becoming an associate on a stepped acquisition	1,500	-	**1,500**
Total comprehensive income for the year	(91,774)	(282,200)	**(373,974)**
Attributable to:			
Equity holders of the parent	(89,209)	(282,200)	**(371,409)**
Non-controlling interests	(2,565)	-	**(2,565)**
	(91,774)	(282,200)	**(373,974)**

3b. Impact of revisions to accounting policies and other prior year adjustments: Consolidated Statement of Comprehensive Income (2013)

	As previously stated 2013 £'000	PSD revenue recognition and related accounting entries £'000	**PYA C £'000**	**PYA D £'000**	**As restated 2013 £'000**
Profit / (loss) after taxation	82,696	(129,854)	**(788)**	**(19,761)**	**(67,707)**
Items that may be recognised in the Consolidated Income Statement:					
Exchange differences on translation of foreign operations	(4,237)	-	-	-	**(4,237)**
Fair value movements on available for sale assets:					
Net gain on re-measurement of investments on becoming associates and associates on acquisition of control	4,186	-	-	-	**4,186**
Fair value movements on available for sale assets taken to the Consolidated Income Statement:					
Net gain on re-measurement of investments on becoming associates and associates on acquisition of control	(4,186)	-	-	-	**(4,186)**
Total comprehensive income for the year	78,459	(129,854)	**(788)**	**(19,761)**	**(71,944)**
Attributable to:					
Equity holders of the parent	78,712	(129,854)	**(788)**	**(19,761)**	**(71,691)**
Non-controlling interests	(253)	-	-	-	**(253)**
	78,459	(129,854)	**(788)**	**(19,761)**	**(71,944)**

3c. Impact of revisions to accounting policies: Consolidated Statement of Financial Position (2014)

	Proforma 2014 £'000	PSD revenue recognition and related accounting entries £'000	Reclassify to held for sale operations £'000	**As presented 2014 £'000**
Non-current assets				
Intangible assets	312,553	-	(148,450)	**164,103**
Property, plant and equipment	16,460	-	(2,369)	**14,091**
Interests in associates and investments	11,186	-	-	**11,186**
	340,199	-	(150,819)	**189,380**
Current assets				
Inventories	3,473	-	-	**3,473**
Trade and other receivables	649,838	(506,850)	(110,125)	**32,863**
Corporation tax	-	21,971	(14,775)	**7,196**
Cash	69,991	-	(27,955)	**42,036**
	723,302	(484,879)	(152,855)	**85,568**
Assets of disposal group classified as held for sale	-	-	303,674	**303,674**
Total assets	1,063,501	(484,879)	-	**578,622**
Current liabilities				
Bank overdraft	(19,509)	-	14,541	**(4,968)**
Borrowings	(26,666)	-	23,533	**(3,133)**
Trade and other payables	(236,283)	23,651	138,822	**(73,810)**
Corporation tax	(23,211)	23,211	-	**-**
Obligations under finance leases	(1,086)	-	5	**(1,081)**
Provisions	(30,809)	-	-	**(30,809)**
Deferred tax liabilities	-	-	-	**-**
	(337,564)	46,862	176,901	**(113,801)**
Non-current liabilities				
Borrowings	(8,826)	-	3,879	**(4,947)**
Trade and other payables	-	-	-	**-**
Obligations under finance leases	(1,080)	-	-	**(1,080)**
Provisions	(257)	-	-	**(257)**
Deferred tax liabilities	(13,261)	-	2,065	**(11,196)**
	(23,424)	-	5,944	**(17,480)**
Total liabilities	(360,988)	46,862	182,845	**(131,281)**
Liabilities of disposal group classified as held for sale	-	-	(182,845)	**(182,845)**
Net assets	702,513	(438,017)	-	**264,496**
Equity				
Share capital	65,467	-	-	**65,467**
Share premium account	430,070	-	-	**430,070**
Reverse acquisition and merger reserve	178,258	-	-	**178,258**
Shares to be issued	30,744	-	-	**30,744**
Other reserves	31,036	-	-	**31,036**
Foreign currency translation reserve	(2,401)	-	-	**(2,401)**
Retained earnings	(34,726)	(438,017)	-	**(472,743)**
Equity attributable to equity holders of the parent	698,448	(438,017)	-	**260,431**
Non-controlling interests	4,065	-	-	**4,065**
Total equity	702,513	(438,017)	-	**264,496**

The pro-forma column shows the 2014 Consolidated Statement of Financial Position before the effect of the policy change for PSD revenue recognition and related accounting entries and the reclassification to held for sale of the PSD discontinued operations. See note 37 for further discussion of the reclassification to held for sale operations.

3c. Impact of revisions to accounting policies and other prior year adjustments: Consolidated Statement of Financial Position (2013)

	As previously stated 2013 £'000	PSD revenue recognition and related accounting entries £'000	PYA A £'000	PYA B £'000	PYA C £'000	PYA D £'000	Restated 2013 £'000
Non-current assets							
Intangible assets	291,280	12,341	(25,203)	(2,000)	(13,470)	(11,100)	251,848
Property, plant and equipment	9,357	-	-	-	-	-	9,357
Interests in associates and investments	53,057	-	-	-	-	(10,441)	42,616
	353,694	12,341	(25,203)	(2,000)	(13,470)	(21,541)	303,821
Current assets							
Inventories	318	-	-	-	-	-	318
Trade and other receivables	327,873	(169,134)	-	-	(1,794)	(3,300)	153,645
Cash	199,596	-	-	-	-	-	199,596
	527,787	(169,134)	-	-	(1,794)	(3,300)	353,559
Total assets	881,481	(156,793)	(25,203)	(2,000)	(15,264)	(24,841)	657,380
Current liabilities							
Bank overdraft	(19,642)	-	-	-	-	-	(19,642)
Borrowings	(26,501)	-	-	-	-	-	(26,501)
Trade and other payables	(125,942)	(14,097)	-	-	-	1,024	(139,015)
Corporation tax	(24,346)	15,073	-	-	527	5,056	(3,690)
Obligations under finance leases	(610)	-	-	-	-	-	(610)
Provisions	-	-	-	-	(4,341)	(1,000)	(5,341)
Deferred tax liabilities	(56)	-	-	-	-	-	(56)
	(197,097)	976	-	-	(3,814)	5,080	(194,855)
Non-current liabilities							
Borrowings	(11,961)	-	-	-	-	-	(11,961)
Trade and other payables	(1,896)	-	-	-	-	-	(1,896)
Obligations under finance leases	(661)	-	-	-	-	-	(661)
Deferred tax liabilities	(2,348)	-	-	-	-	-	(2,348)
	(16,866)	-	-	-	-	-	(16,866)
Total liabilities	(213,963)	976	-	-	(3,814)	5,080	(211,721)
Net assets	667,518	(155,817)	(25,203)	(2,000)	(19,078)	(19,761)	445,659
Equity							
Share capital	56,700	-	-	-	-	-	56,700
Share premium account	321,408	-	-	1,497	-	-	322,905
Reverse acquisition and merger reserve	124,699	-	(10,842)	-	-	-	113,857
Shares to be issued	54,151	-	-	-	1,354	-	55,505
Other reserves	998	-	-	-	(2,852)	-	(1,854)
Foreign currency translation	(4,238)	-	-	-	-	-	(4,238)
Retained earnings	110,054	(155,817)	(14,361)	(3,497)	(17,580)	(19,761)	(100,962)
Equity attributable to equity holders of the parent	663,772	(155,817)	(25,203)	(2,000)	(19,078)	(19,761)	441,913
Non-controlling interests	3,746	-	-	-	-	-	3,746
Total equity	667,518	(155,817)	(25,203)	(2,000)	(19,078)	(19,761)	445,659

3c. Impact of revisions to accounting policies and other prior year adjustments: Consolidated Statement of Financial Position (2012)

	As previously stated 2012 £'000	PSD revenue recognition and related accounting entries £'000	PYA A £'000	PYA B £'000	PYA C £'000	Restated 2012 £'000
Non-current assets						
Intangible assets	174,209	42,823	(25,203)	(2,000)	(10,163)	179,666
Property, plant and equipment	7,296	-	-	-	-	7,296
Interests in associates and investments	7,143	-	-	-	-	7,143
	188,648	42,823	(25,203)	(2,000)	(10,163)	194,105
Current assets						
Inventories	160	-	-	-	-	160
Trade and other receivables	177,871	(41,778)	-	-	(12,471)	123,622
Deferred tax	-	-	-	-	-	-
Cash	48,050	-	-	-	-	48,050
	226,081	(41,778)	-	-	(12,471)	171,832
Total assets	414,729	1,045	(25,203)	(2,000)	(22,634)	365,937
Current liabilities						
Bank overdraft	(15,871)	-	-	-	-	(15,871)
Borrowings	(6,280)	-	-	-	-	(6,280)
Trade and other payables	(95,238)	(27,008)	-	-	(5,000)	(127,246)
Corporation tax	(7,460)	-	-	-	-	(7,460)
Obligations under finance leases	(479)	-	-	-	-	(479)
Provisions	-	-	-	-	(2,413)	(2,413)
Deferred tax liabilities	(533)	-	-	-	-	(533)
	(125,861)	(27,008)	-	-	(7,413)	(160,282)
Non-current liabilities						
Borrowings	(7,475)	-	-	-	-	(7,475)
Trade and other payables	(6,032)	-	-	-	-	(6,032)
Obligations under finance leases	(568)	-	-	-	-	(568)
Deferred tax liabilities	(2,633)	-	-	-	-	(2,633)
	(16,708)	-	-	-	-	(16,708)
Total liabilities	(142,569)	(27,008)	-	-	(7,413)	(176,990)
Net assets	272,160	(25,963)	(25,203)	(2,000)	(30,047)	188,947
Equity						
Share capital	36,216	-	-	-	-	36,216
Share premium account	102,026	-	-	1,497	-	103,523
Reverse acquisition and merger reserve	74,318	-	(10,842)	-	-	63,476
Shares to be issued	30,178	-	-	-	(1,543)	28,635
Other reserves	(1,188)	-	-	-	(22,000)	(23,188)
Foreign currency translation	(1)	-	-	-	-	(1)
Retained earnings	30,336	(25,963)	(14,361)	(3,497)	(6,504)	(19,989)
Equity attributable to equity holders of the parent	271,885	(25,963)	(25,203)	(2,000)	(30,047)	188,672
Non-controlling interests	275	-	-	-	-	275
Total equity	272,160	(25,963)	(25,203)	(2,000)	(30,047)	188,947

3d. Impact of revisions to accounting policies and other prior year adjustments: Consolidated Cash Flow Statement (2013)

	As previously stated 2013 £'000	PYA C £'000	PYA D £'000	**Restated 2013 £'000**
Cash flows from operating activities				
Cash generated from/(used by) operations before exceptional costs, net finance expense and tax	10,567	(1,793)	(23,817)	**(15,043)**
Cash outflow from exceptional costs	(7,268)	-	-	**(7,268)**
Cash generated from / (used by) operations before net finance expense and tax	3,299	(1,793)	(23,817)	**(22,311)**
Net finance expense paid	(1,694)	-	-	**(1,694)**
Corporation tax paid	(10,409)	-	-	**(10,409)**
Net cash used by operating activities	(8,804)	(1,793)	(23,817)	**(34,414)**
Cash flows from investing activities				
Purchase of property, plant and equipment	(2,484)	-	-	**(2,484)**
Purchase of intangible fixed assets	(21,359)	-	9,100	**(12,259)**
Proceeds on disposal of property, plant and equipment	360	-	-	**360**
Proceeds on sale of subsidiary undertaking and sale of operations	2,480	-	-	**2,480**
Acquisition of subsidiaries net of cash acquired	(11,533)	-	5,300	**(6,233)**
Purchase of associated undertakings	(20,068)	-	9,417	**(10,651)**
Purchase of fixed asset investments	-	-	-	**-**
Deposits held in escrow	(1,500)	-	-	**(1,500)**
Loans to investments and other parties	(4,898)	-	-	**(4,898)**
Dividends received from associates	109	-	-	**109**
Net cash used in investing activities	(58,893)	-	23,817	**(35,076)**
Cash flows from financing activities				
Issue of share capital	210,998	-	-	**210,998**
Cost of issuing share capital	(10,592)	-	-	**(10,592)**
Finance lease repayments	(635)	-	-	**(635)**
Additional secured loans received	12,125	-	-	**12,125**
Sale of shares treated as held in treasury	-	4,985	-	**4,985**
Additional unsecured loan monies	518	-	-	**518**
Receipts/(payments) on Equity Swap	3,192	(3,192)	-	**-**
Net cash generated from financing activities	215,606	1,793	-	**217,399**
Net increase in cash and cash equivalents	147,909	-	-	**147,909**
Cash and cash equivalents at the beginning of the year	32,179	-	-	**32,179**
Exchange losses on cash and cash equivalents	(134)	-	-	**(134)**
Cash and cash equivalents at the end of the year	179,954	-	-	**179,954**

There were no changes to the cash flows in 2012 previously reported.

4. Adoption of new and revised Standards

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

Standards, amendment and interpretations affecting the financial statements adopted by the Group

There are no new standards, amendments or interpretations adopted by the Group that have a material impact on the financial statements for this year. The Group adopted IFRSs 10, 11 and 12 in the year ended 31 December 2013 and those accounts detail the restatements made as a result of the adoption of those standards.

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

Amendment to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendment to IAS 36	Disclosures required on the recoverable amount of CGUs
Amendment to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting

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 2014, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, as follows:

Amendment to IAS 19	Defined Benefit Plans: Employee Contributions
IFRS 14	Regulatory Deferral Accounts
Amendment to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendment to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendment to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendment to IAS 27	Equity Method in Separate Financial Statements
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the Consolidation Exception
Amendment to IAS 1	Disclosure Initiative
IFRS 9	Financial Instruments

The following standard has not been applied in preparing these consolidated financial statements:

IFRS 15	'Revenue from contracts with customers'. This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard is expected to be effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted subject to EU endorsement. The Group is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

5. 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. This information was limited in some regards due to a lack of access to previous management/Directors in assessing certain historic transactions. In the process of applying the Group's accounting policies, management has made a number of judgements, and the preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

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

Revenue recognition in the Services Division

The Group have revised a number of revenue recognition accounting policies in relation to the Services Division. In doing so the Group formed judgements as to the most appropriate accounting policy in light of the underlying contractual arrangement that is entered into with the claimant in cases operated by the group. The key judgement in this respect is the point at which revenue will be recognised which is set out in detail in note 3.

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.

Determination of the date of control of key acquisitions

In relation to the acquisitions of Himex and Ingenie, where complex option arrangements were in place, key judgements have been made in relation to the point at which the Group is deemed to have both gained and lost control. In each case the Group obtained or lost control of the respective entities through a combination of control over voting rights, positions on the Board or by virtue of put and call options that were entered into. The Group used judgement in determining the point at which all of the relevant factors indicated control which therefore determined the date at which the entities were accounted for under the "anticipated acquisition" method of accounting for business combinations. Further information in this respect is set out in note 36.

Determination as to whether there is control or significant influence over businesses

Relationship with TMC: In reviewing a number of historic transactions, the Board has concluded, based on the evidence available to it, that TMC was at certain points in time a related party of the Group, though it never had a shareholding in TMC. Furthermore, although in some respects the nature of the relationship between TMC and the Company is unclear, the Company does not consider that the substance of the economic relationships between TMC and the Group for the years 2013 and 2014 indicate that it controlled TMC.

Relationship with SMI Technologies Limited ("SMI"): the group had an investment in SMI of 19% and during the year obtained an option to increase its investment to 33% and has moved its treatment to an associate as at the year end. The Board has considered the nature of the relationship between SMI and the Group and does not believe that the substance of the relationship between SMI and the Group for the years 2013 and 2014 indicate that it controlled SMI.

The valuation of intangible assets on acquisition

Acquired intangible assets are recorded at their "fair value". Fair value is defined as the amount for which an asset could be exchanged, between knowledgeable, willing parties in an arm's length transaction. Fair value is assessed assuming a hypothetical market acquirer and may be determined using a range of different valuation techniques. The conclusions reached in performing such valuations require the exercise of judgement including decisions such as the most appropriate valuation methodology, forecast data, market factors and discount rates. Total intangible assets acquired in the year was £59.5m. Further information in relation to the valuation of intangible assets acquired is set out in note 36.

Identification of CGUs and measurement and impairment of goodwill

CGUs, or groups of CGUs, are identified as the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is then allocated to each CGU or group of CGUs. Each unit or group of units to which the goodwill is so allocated represents the lowest level at which goodwill is monitored for management purposes and is not larger than the operating segments disclosed.

With the exception of the two major recent acquisitions, which have not yet been integrated with the existing business, the CGUs for the Group have been determined to be at the Services and Solutions divisional level according to geography, due to the level of integration of the businesses and where interlinking cash flows exist within each division. The two major acquisitions, Himex and Ingenie are determined to be standalone CGUs as there has not yet been any integration of these businesses within the wider group. 'Other' represents those other businesses which the Group held at 31 December 2013 which have not been integrated as a result of the change in strategy and focus of management on other operational matters. These businesses are monitored at an entity level and not measured as one CGU. At 31 December 2014, 'Other' goodwill was held in respect of 360 and Quintica Holdings Limited ("Quintica"). At 31 December 2013, 'Other' also included the Group's property services businesses, which has been fully impaired during the year.

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 16. The carrying amount of goodwill at 31 December 2014 was £97.8m (2013: £192.9m).

Consideration locked in for future performance conditions

The Group acquires businesses and regularly ensures that performance conditions and targets are set within the acquisition contract such that any under-performance can be clawed back. As disclosed further in note 36, where a range of potential outcomes is also given, the maximum amounts payable under such arrangements have been included at fair value within the cost of each acquisition. This is based on the best current estimate in relation to the businesses and their respective performance conditions and targets. In respect of the acquisition of Crusader, an indemnification asset has been recorded of £1.7m relating to the settlement of a customer dispute which existed at the acquisition date and which was settled during 2014 (2013: £nil). The Group has a policy of lock-in but will negotiate early release in certain circumstances.

Capitalisation of internally generated development costs

The Group 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 2014 is laid out in note 15.

Contingent liabilities

The Group has identified a number of contingent liabilities 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 outcome on the Group of the investigation commenced by the Financial Conduct Authority ("FCA") 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 determined. Accordingly, no provision has been made in respect of these matters.

Deferred tax in connection with the change in accounting policy for revenue recognition in the PSD

In 2014 the Company paid corporation tax based on taxable profits calculated under the then existing accounting policies. In relation to the Financial Statements the Company has changed these accounting policies with the result that, if detailed computations were to be produced and submitted to HMRC, the Company would expect to be able to reclaim tax previously properly paid and also have potential taxable losses to be carried forward to be offset against profits arising in future periods. In preparing these Financial Statements, the Board has made the following judgements:

- previously paid tax that can be reclaimed has been recognised as a corporation tax asset in the Company's and Group's continuing business net assets,
- a corporation tax asset up to the amounts previously paid to HMRC has been included within the PSD asset held for sale, this amount is not disclosed separately. Its recoverability is subject to the overarching impairment test of the PSD against the net disposal proceeds,
- a deferred tax asset on the surplus unutilised losses created by the change in accounting policy has not been recognised as, due to the reported losses of the PSD in 2013 and 2014 and continued trading into 2015, it could not be considered that there would be future taxable profits of sufficient probability to offset this against.

Deferred tax in connection with the continuing business operations

Other taxable losses have arisen during the year ended 31 December 2014 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 2014 including head office costs, further losses continuing into 2015 and the developing nature of the continuing businesses such that the expectation of profitability at sufficient quantum was not probable within a reasonable timeframe.

6. Key performance indicators

	Note	2014 £'000	Restated 2013 £'000
Revenue:			
Solutions Division		**33,580**	38,432
Services Division		**38,435**	22,599
Total from continuing operations		**72,015**	61,031
Adjusted EBITDA from continuing operations:			
Loss before taxation from continuing operations		**(238,034)**	(8,565)
Depreciation	**8**	**4,222**	1,605
Amortisation	**8**	**16,365**	4,333
Exceptional costs and impairments	**9**	**194,395**	11,325
Share-based payments		**7,432**	2,819
Other income	**10**	**(18,001)**	(4,186)
Net finance expense	**12**	**349**	106
Adjusted EBITDA from continuing operations		**(33,272)**	7,437
Adjusted (Loss)/Profit before taxation from continuing operations:			
Loss before taxation from continuing operations		**(238,034)**	(8,565)
Amortisation	**8**	**16,365**	4,333
Exceptional costs and impairments	**9**	**194,395**	11,325
Share-based payments		**7,432**	2,819
Other income	**10**	**(18,001)**	(4,186)
Adjusted (loss)/profit before taxation from continuing operations		**(37,843)**	5,726

7. Business and geographical segments

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker and represent two operating divisions: Solutions and Services. These divisions are supported by a Group cost centre (denoted as Central below). These two divisions are the basis on which the Group reports its primary segment information.

The principal activities of each segment are as follows. The Solutions division provides software, business and technology consulting services, white labelled solutions, e-commerce, SaaS solutions, telematics services, insurance broking services and other services. The Services division provides healthcare and property services.

Within the results of the discontinued operation the Solutions division provides SaaS solutions and the Services division provides technology enabled sales, legal and outsourcing 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 2. Segment profit represents the profit earned by each segment before the allocation of specific central head office and research and development costs, exceptional costs, share-based payments, finance costs and income tax expense and is a measure reported to the Board for the purpose of resource allocation and assessment of segment performance. Intra-segmental transactions have been eliminated in analysis below and segmental analysis of associates is provided in note 18.

7. Business and geographical segments

	Solutions £'000	Services £'000	Central £'000	Total £'000
Year ended 31 December 2014				
Technology usage and man time fees, broking commissions	**33,580**	**-**	**-**	**33,580**
Fees for healthcare and property services	**-**	**38,435**	**-**	**38,435**
Total revenue	**33,580**	**38,435**	**-**	**72,015**
Adjusted EBITDA before central costs				
Technology usage and man time fees, broking	**(5,379)**	**-**	**-**	**(5,379)**
Healthcare and property services	**-**	**(10,006)**	**-**	**(10,006)**
Adjusted EBITDA before central costs	**(5,379)**	**(10,006)**	**-**	**(15,385)**
Group costs	**-**	**-**	**(18,599)**	**(18,599)**
Share of results of associate	**371**	**341**	**-**	**712**
Adjusted EBITDA	**(5,008)**	**(9,665)**	**(18,599)**	**(33,272)**
Exceptional costs and share-based payments (excluding impairment charges)	**(28,085)**	**-**	**(16,714)**	**(44,799)**
Impairment charges	**(88,408)**	**(64,413)**	**(4,207)**	**(157,028)**
Other Income	**18,001**	**-**	**-**	**18,001**
Depreciation and amortisation	**(16,057)**	**(1,629)**	**(2,901)**	**(20,587)**
Net finance expense	**(39)**	**(536)**	**226**	**(349)**
Loss before taxation	**(119,596)**	**(76,243)**	**(42,195)**	**(238,034)**
Taxation	**(2,155)**	**369**	**(1,456)**	**(3,242)**
Loss after taxation continuing	**(121,751)**	**(75,874)**	**(43,651)**	**(241,276)**
Profit/(loss) after tax discontinued	**13,818**	**(147,026)**	**-**	**(133,208)**
Loss after taxation	**(107,933)**	**(222,900)**	**(43,651)**	**(374,484)**
Year ended 31 December 2013 Restated				
Technology usage and man time fees, broking commissions	38,432	-	-	38,432
Fees for healthcare and property services, and discontinued services	-	22,599	-	22,599
Total revenue	38,432	22,599	-	61,031
Adjusted EBITDA before central costs				
Technology usage and man time fees, broking	11,952	-	-	11,952
Healthcare and property services	-	3,727	-	3,727
Adjusted EBITDA before central costs	11,952	3,727	-	15,679
Group costs	-	-	(8,484)	(8,484)
Share of results of associate	59	183	-	242
Adjusted EBITDA	12,011	3,910	(8,484)	7,437
Exceptional costs and share-based payments	(3,557)	(76)	(10,511)	(14,144)
Other Income	5,066	(880)	-	4,186
Depreciation and amortisation	(1,864)	(567)	(3,507)	(5,938)
Net finance expense	(32)	(397)	323	(106)
Profit/(loss) before taxation	11,624	1,990	(22,179)	(8,565)
Taxation	(2,655)	(1,140)	5,633	1,838
Profit/(loss) after taxation continuing	8,969	850	(16,546)	(6,727)
Profit/(loss) after tax discontinued	7,023	(68,003)	-	(60,980)
Profit/(loss) after tax	15,992	(67,153)	(16,546)	(67,707)

Other Information:

	Solutions £'000	Services £'000	Unallocated corporate assets £'000	Total £'000
2014 Continuing only				
Capital additions	**265,571**	**1,038**	**8,548**	**275,157**
Statement of financial position				
Assets	**176,294**	**42,288**	**56,366**	**274,948**
Liabilities	**(51,440)**	**(17,553)**	**(62,288)**	**(131,281)**
2013 restated				
Capital additions	19,765	101,445	1,864	123,074
Statement of financial position				
Assets	96,886	406,169	154,325	657,380
Liabilities	(15,502)	(168,530)	(27,689)	(211,721)

Segment assets and liabilities are those assets and liabilities that are employed by a division in its operating activities. Segment assets include intangible assets, property, plant and equipment, inventories, trade and other receivables, cash and cash equivalents. Segment liabilities include borrowings, trade and other payables. Unallocated assets and liabilities include cash balances and property, plant and equipment, trade payables and deferred tax liabilities.

Geographical segments

	United Kingdom £'000	Canada £'000	USA £'000	Rest of World £'000	Total £'000
2014					
Revenue - continuing only	**31,478**	**30,081**	**3,498**	**6,958**	**72,015**
Other segment information					
Total non-current assets	**70,497**	**16,993**	**97,549**	**4,341**	**189,380**
Capital expenditure					
Tangible assets	**7,744**	**2,090**	**2,101**	**72**	**12,007**
Intangible assets	**134,372**	**2,850**	**125,928**	**-**	**263,150**
2013 restated					
Revenue - continuing only	45,348	12,176	379	3,128	61,031
Other segment information					
Total non-current assets	245,055	52,780	1,500	4,486	303,821
Capital expenditure					
Tangible assets	3,241	3,688	-	10	6,939
Intangible assets	53,800	53,726	-	8,609	116,135

Information about major customers

Total revenues for continuing businesses in 2014 include £3,034,000 (2013 Restated: £2,977,000) in connection with the Solutions Division, to the Group’s largest customer.

8. Operating loss

The operating loss for the year is stated after charging:

Continuing operations:

	2014 £'000	Restated 2013 £'000
Depreciation of property, plant and equipment	**4,222**	1,605
Amortisation of intangible assets	**16,365**	4,333
Operating lease rentals	**317**	439
Finished goods inventories expensed	**3,046**	424
Net foreign exchange (gains)/losses	**221**	636
Auditors' remuneration	**1,370**	395
Unused provisions reversed	**(10)**	-
Staff costs (note 11)	**55,536**	23,801

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

	2014 £'000	Restated 2013 £'000
Fees payable to Company's Auditor and its associates for the audit of Parent Company and consolidated financial statements	**420**	60
Fees payable to Company's auditor and its associates for other services:		
- The audit of the company's subsidiaries	**530**	335
- Other assurance services	**50**	-
- Corporate finance services	**370**	-
	1,370	395

Amounts included above in respect of the Parent Company are the statutory audit fee of £20,000 (2013: £60,000)

9. Exceptional Costs

Continuing operations:

	2014 £'000	Restated 2013 £'000
Acquisition costs:		
Acquisition related fees	**2,798**	1,889
Costs of integration and associated redundancies	**2,910**	201
Post combination vendor remuneration (cash element)	**1,000**	962
Post combination vendor remuneration (share element) including PAYE	**765**	3,612
Impairments	**157,028**	-
Legal disputes	**7,961**	-
Loss of control over subsidiary – see note 36	**5,841**	-
Cost of raising finance (including share-based payments of £5,395,000 (2013: £nil)) (See note 28)	**6,139**	85
Exceptional share-based payments: warrants granted in respect of a customer agreement (See note 28)	**9,953**	4,576
Total exceptional costs	**194,395**	11,325

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

Further information is included in note 28 and note 36 in relation to the share-based payment charges above treated as vendor remuneration ("post combination vendor remuneration").

The impairment charge above relates to goodwill of £126,632,000 (2013: £nil), other intangible assets of £9,402,000 (2013: £nil), tangible fixed assets of £661,000 (2013: £nil), associate undertakings of £1,338,000 (2013: £nil), investments of £1,830,000 (2013: £nil), stocks of £1,079,000 (2013: £nil) and loans of £16,086,000 (2013: £nil).

Charges in respect of legal disputes include both expenses incurred together with those provided for as detailed in note 26.

10. Other income

Continuing operations:	2014 £'000	Restated 2013 £'000
Net gain on re-measurement of investments on becoming associates and associates on acquisition of control	**18,001**	4,186
	18,001	4,186

The net gain on re-measurement of investments comprised the following movements: (a) on acquisition of control of Himex of £15,472,000; (b) on Ingenie, a gain of £7,564,000 and a loss of £3,535,000 on acquisition of control; and (c) a loss of £1,500,000 on reclassification of SMI from investment to associate. Further information is available in note 19 and note 36.

11. Employee and staff costs

The average number of employees during the year including executive directors for continuing operations was as follows:

	2014 Number	Restated 2013 Number
Front office technology, consulting and outsourcing	**1,261**	586
Back office management and administration	**513**	175
	1,774	761

There were 2,083 employees relating to the discontinued operation (2013: 1,651) split between front office technology, consulting and outsourcing 1,185 (2013: 1,017) and back office management and administration 898 (2013: 634).

The remuneration of the executive and non-executive directors was as follows:

	2014 £’000	Restated 2013 £’000
Emoluments	**3,924**	1,892

The emoluments of the highest paid director were £2,272,000 (2013: £1,320,000), which included £1,480,000 as compensation for loss of office. No retirement benefits were accruing under any schemes in respect of the directors (2013: £nil). One director received £61,000 (2013: £nil) remuneration in connection with contributions to pension schemes. Further details are provided in the Directors Remuneration Report.

Total employee costs for continuing operations were as follows:

	2014 £'000	Restated 2013 £'000
Wages and salaries	**49,139**	20,969
Social security costs	**5,177**	1,675
Pension costs	**267**	153
Share-based payment charges	**7,432**	2,819
	62,015	25,616

Included in the total above are £6,479,000 (2013: £1,815,000) of directly attributable salaries which were capitalised during the year in relation to software development.

12. Net finance expense

Continuing operations:	2014 £’000	Restated 2013 £’000
Bank interest receivable	**553**	270
Interest payable on bank loans and overdrafts	**(289)**	(255)
Interest on obligations under finance leases	**(103)**	(77)
Other interest payable	**(510)**	(44)
Total interest payable	**(902)**	(376)
Net finance expense	**(349)**	(106)

13. Taxation

Continuing operations:

	2014 £'000	Restated 2013 £'000
The taxation charge/(credit) comprises:		
Current tax:		
- Current year	**132**	488
- Adjustments in respect of prior year	**1,233**	(174)
Total current tax	**1,365**	314
Deferred tax:		
- Current year	**(1,223)**	(821)
- Adjustments in respect of changes in tax rates	**145**	(423)
- Adjustments in respect of prior year	**2,955**	(908)
Total deferred tax	**1,877**	(2,152)
Taxation	**3,242**	(1,838)

Income tax for the UK is calculated at the standard rate of UK corporation tax of 21.5% (2013: 23.25%) on the estimated assessable profit for the year. The total charge for the year can be reconciled to the accounting profit as follows:

	2014 £'000	Restated 2013 £'000
Loss on ordinary activities before tax – continuing businesses	**(238,034)**	(8,565)
Tax at 21.50% (2013: 23.25%) thereon	**(51,177)**	(1,991)
Effect of:		
Expenses not deductible for tax purposes	**5,137**	690
Unprovided deferred tax on losses	**12,043**	910
Intangible and investment impairments	**33,037**	-
Effect of lower rate tax overseas	**-**	106
Research and development tax credit claim	**(131)**	(48)
Reduction in rate of deferred tax	**145**	(423)
Adjustments to tax charge in respect of prior periods	**4,188**	(1,082)
Total tax charge for the year	**3,242**	(1,838)

The income tax credit for the year relating to the discontinued operations loss for the year was £3,992,000 (2013 Restated: £5,532,000 charge).

The tax impact of the items included in the Consolidated Statement of Comprehensive Income is £nil (2013: £nil).

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 continuing businesses have recognised deferred tax assets of £nil (2013 Restated: £508,000) in respect of losses amounting to £nil (2013 Restated: £2,540,000) that can be carried forward against future taxable income.

The total amount of goodwill that is expected to be deductible for tax for continuing businesses is £20,106,000 (2013 Restated: £30,022,000).

Factors affecting future tax charges

The March 2013 UK Budget Statement proposed further reductions to the main UK Corporation Tax rate to 21% from 1 April 2014 and 20% from 1 April 2015. These had been substantively enacted at the balance sheet date and, therefore, the effect of them is included in these Financial Statements. Accordingly, the deferred tax balance has been calculated using a rate of 20%. No further changes to future tax rates were announced in the March 2014 Budget Statement on 19 March 2014 or in the March 2015 Budget Statement on 18 March 2015. In the July 2015 Budget Statement, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly.

14. Earnings per share

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

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

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

	2014 £'000	Restated 2013 £'000
Loss for the year from continuing operations (attributable to equity holders of the Company)	**(238,711)**	(6,474)
Adjustments:		
- exceptional costs	**194,395**	11,325
- share-based payments	**7,432**	2,819
- other income	**(18,001)**	(4,186)
- amortisation	**16,365**	4,333
- tax effect on the above	**(2,028)**	(1,285)
Adjusted loss/(profit) for the year from continuing operations	**(40,548)**	6,532
Loss for the year from discontinued operations (attributable to equity holders of the Company)	**(133,208)**	(60,980)
Adjustments:		
- exceptional costs	**18,121**	-
- amortisation	**16,807**	34,858
- tax effect on the above	**(1,321)**	(249)
Adjusted loss for the year from discontinued operations	**(99,601)**	(26,372)
Adjusted loss for the year	**(140,149)**	(19,840)

	2014 Number '000s	2013 Number '000s
Weighted average number of shares in issue in the year	**423,164**	275,669
Dilutive potential ordinary shares		
- Deferred consideration shares	**-**	-
- Options	**-**	-
- Share-based payments	**-**	-
- Warrants	**-**	-
Shares used to calculate diluted and adjusted diluted earnings per share	**423,164**	275,669

2013 numbers have been represented for the share consolidation on 20 June 2014.

Due to their anti-dilutive effect in 2014 and in 2013, options and warrants which could potentially be exercised after the balance sheet date have not been included in the calculation of diluted earnings per share and adjusted diluted earnings per share in 2014. Due to the restatements in the prior year as set out in note 3 which have resulted in a loss, previously dilutive deferred consideration shares, share-based payments and warrants have been restated to nil in the 2013 comparative.

14. Earnings per share (continued)

	2014 Pence	Restated 2013 Pence
Basic (loss)/earnings per share		
From continuing operations	**(56.411)**	(2.348)
From discontinued operations	**(31.479)**	(22.121)
From loss for the year	**(87.890)**	(24.469)
Diluted (loss)/earnings per share		
From continuing operations	**(56.411)**	(2.348)
From discontinued operations	**(31.479)**	(22.121)
From loss for the year	**(87.890)**	(24.469)
Adjusted basic (loss)/earnings per share		
From continuing operations	**(9.582)**	2.369
From discontinued operations	**(23.537)**	(9.566)
From adjusted loss for the year	**(33.119)**	(7.197)
Adjusted diluted (loss)/earnings per share		
From continuing operations	**(9.582)**	2.369
From discontinued operations	**(23.537)**	(9.566)
From adjusted loss for the year	**(33.119)**	(7.197)

After the balance sheet date, and as disclosed in note 40, a further 8,512,307 ordinary shares of 15 pence were issued.

15. Intangible assets

	Note	2014 £'000	Restated 2013 £'000
Other intangible assets		**66,271**	58,901
Goodwill	16	**97,832**	192,947
		164,103	251,848

The movements in other intangible assets was as follows:

	Customer contracts, data brands and relationships £'000	IPR, Software and licences £'000	Total £'000
Cost			
At 1 January 2013 restated	96,934	12,133	109,067
Acquired with subsidiary (note 36)	15,789	1,447	17,236
Additions - internally generated	-	2,866	2,866
Additions - purchased	3,879	4,056	7,935
Disposal of operation	(312)	-	(312)
Exchange differences	-	(433)	(433)
At 1 January 2014	**116,290**	**20,069**	**136,359**
Acquired with subsidiary (note 36)	**59,450**	**-**	**59,450**
Additions - internally generated	**-**	**10,062**	**10,062**
Additions – purchased	**77**	**2,827**	**2,904**
Transfer to assets of disposal group classified as held for sale	**(105,039)**	**(5,531)**	**(110,570)**
Exchange differences	**-**	**169**	**169**
At 31 December 2014	**70,778**	**27,596**	**98,374**
Amortisation			
At 1 January 2013 restated	36,846	1,485	38,331
Charge for the year	36,195	2,996	39,191
Exchange differences	-	(64)	(64)
At 1 January 2014	**73,041**	**4,417**	**77,458**
Charge for the year	**28,210**	**4,962**	**33,172**
Impairments	**1,025**	**8,377**	**9,402**
Transfer to assets of disposal group classified as held for sale	**(85,107)**	**(2,865)**	**(87,972)**
Exchange differences	**-**	**43**	**43**
At 31 December 2014	**17,169**	**14,934**	**32,103**
Net book value			
31 December 2014	**53,609**	**12,662**	**66,271**
31 December 2013 Restated	43,249	15,652	58,901

Amortisation relating to discontinued activities during the year ended 31 December 2014 was £16,807,000 (2013: £34,858,000). During the year ended 31 December 2014, £28,000 of research and development was taken directly to profit and loss (2013: £nil).

Brands are included within customer contracts, data, brands and relationships. The carrying value of brands at 1 January was £10,033,000 (2013: £11,209,000) with depreciation charged in the period of £1,098,000 (2013: £1,176,000). Brands acquired with subsidiaries were £5,400,000 (2013: £nil). The carrying value at 31 December was £14,335,000 (2013: £10,033,000).

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

During the year, the Group purchased £4.0m of IPR and software licences to facilitate the joint arrangement with the RAC, Connected Car Solutions ("CCS"). As a result of the cessation of this arrangement, as discussed further in the Strategic Report, the Group does not expect to realise any further value from these assets and has therefore impaired them in full accordingly.

The Group has conducted a review of all intangible assets at the balance sheet date and identified further assets previously valued at £5,402,000 (2013: £nil) which are or will become obsolete, either because they are unused and are expected to remain so or will be replaced by other similar and existing assets held by the Group at the balance sheet date.

In note 33 an explanation is given to show the degree to which fair values are observable. These are grouped into three levels: Level 1, Level 2 and Level 3.

Where fair value calculations have been performed to identify separable intangible assets as part of the cost of an acquisition, to show separately from goodwill within other intangible assets, the level was as follows:

	Fair value degree observable	**2014 £'000**	Restated 2013 £'000
Non-current assets:			
Other intangible assets	Level 3	**59,450**	17,236

The fair value degree represents unobservable inputs as they are based on an assessment of assets acquired. Where valuation techniques have been used the key inputs included an assessment of future performance and cash flows, growth rates, appropriate discount rate, the valuation of assembled workforces and contributory asset charges. The sensitivity to the unobservable inputs is not considered significant as the only impact of these fair values is an amortisation charge in the Consolidated Income Statement from separable intangibles identified on acquisitions. Further details about the valuation basis used for Himex and Ingenie, which account for £57.6m of the £59.5m of intangibles arising on acquisition during the year are provided in note 36.

16. Goodwill

The movement in goodwill is as follows:

	Goodwill £'000
Cost	
At 1 January 2013 as restated	110,952
Additions – purchased	1,458
Arising on acquisition of subsidiaries (note 36)	86,632
Arising on acquisition of subsidiaries – 2012 acquisitions assessment period changes	178
Disposal of a subsidiary	(10)
Exchange differences	(4,241)
At 1 January 2014 as restated	**194,969**
Additions – purchased	**159**
Arising on acquisition of subsidiaries (note 36)	**219,760**
Arising on acquisition of subsidiaries – 2013 acquisitions assessment period changes (note 36)	**1,010**
Disposal of a subsidiary (note 36)	**(62,589)**
Transfer to assets of disposal group classified as held for sale	**(125,851)**
Exchange differences	**(972)**
At 31 December 2014	**226,486**
Impairment	
At 1 January 2013 as restated	2,022
Charge for the year	-
At 1 January 2014	**2,022**
Charge for the year	**126,632**
Transfer to assets of disposal group classified as held for sale	**-**
31 December 2014	**128,654**
Net book value	
31 December 2014	**97,832**
31 December 2013	192,947

Goodwill is allocated to the Group's CGUs as follows:

	2014 £'000	Restated 2013 £'000
Himex Inc.	**46,525**	-
Ingenie Limited	**28,232**	-
Solutions Division - UK	**4,896**	9,625
Solutions Division - Non UK	**-**	5,126
Services Division – UK	**3,671**	100,806
Services Division – Non UK	**7,253**	37,859
Other	**7,255**	39,531
	97,832	192,947

The carrying value of goodwill at 31 December 2013 has been revised to reflect the Prior Year Adjustments described in notes 3 and 3c. The allocation of goodwill to CGUs has been revised in the current year to transfer £3.1m in respect of Solutions Division-UK and £5.8m in respect of Solutions Division Non-UK to Other. This change is as a result of a strategic review performed by management in the current year which has resulted in an assessment that the business units no longer contribute to the goodwill of the historic CGU nor are they now monitored on that basis as a result of the change in management.

Himex and Ingenie are material acquisitions which have been allocated to separate CGUs until such time as they were integrated. 'Other' represents those other businesses which have not been integrated as a result of the change in strategy and focus of management on other operational matters. These businesses are monitored at an entity level and not measured as one CGU. At 31 December 2014, 'Other' goodwill was held in respect 360 and Quintica. At 31 December 2013, 'Other' also included the Group's property services businesses, which has been fully impaired during the year.

Basis of Valuation and Key Assumptions

360 was disposed of post year end and goodwill is valued at its recoverable amount less costs to sell.

The reclassification of the PSD as an asset held for sale as 31 December 2014 and its sale to Slater & Gordon Limited ("S&G") on 29 May 2015 has changed the scale and risk profile of the Group. The Group will operate in less mature markets with high growth potential. This change, which emanated from a strategic re-appraisal of the business during 2014, has resulted in the Group revising its approach to estimating any impairment to goodwill.

The recoverable amount of goodwill for remaining businesses is determined on the basis of Value-in-Use, using a 10 year discounted cash flow appraisal. This approach accommodates the longer term investment horizon for the new and developing markets for telematics based insurance products. The growth potential of the Himex and Ingenie businesses reflects the current relatively small scale of those businesses in relation to an evaluation of the likely size of the respective markets and the share of those markets which the Group believes is attainable. External market data has been used where possible and the Group has also drawn upon data used in the strategic review. Other CGUs use growth assumptions which are more reflective of past experience. This approach to estimating any impairment differs from that used in the previous year, which used cash flow forecasts for the subsequent 2 years.

For each of the CGUs with significant amount of goodwill, the key assumptions used in the Value-in-Use calculations and recoverable amounts of goodwill are stated below. These assumptions have been used for the analysis of each CGU within the relevant operating segment.

2014	**Himex**	**Ingenie**	**Solutions Division UK**	**Services Division UK**	**Services Division Non UK**	**Other***
Long Term Growth Rate	2%	2%	2%	2%	2%	2%
Annualised revenue growth years 1-10	44%	17%	10%	5%	5%	5%
Pre-tax discount rate	35%	18%	15%	12.5%	12.5%	12.5%
Recoverable amount of goodwill (m)	£46.5	£28.2	£13.2	£3.7	£7.3	£4.2

2013	**Himex**	**Ingenie**	**Solutions Division UK**	**Services Division UK**	**Services Division Non UK**	**Other***
Long term growth rate	n/a	n/a	3%	3%	3%	3%
Pre tax discount rate	n/a	n/a	9%	9%	9%	9%

* 'Other' relates to Quintica. 360 has been omitted from the table as goodwill is carried at the recoverable amount based on its post year end sale. In 2013, 'Other' includes QPS, Quintica and 360.

Long term growth rates vary by operating division depending on the current development to maturity of the CGU. Himex and Ingenie both use bespoke yearly forecasts which reflect high expected revenue growth targets over the 10 year period with a 2% long term growth thereafter. The Services and Solutions CGUs are mature businesses and growth rates are significantly lower.

In determining the applicable discount rate, management has applied judgement in respect of several factors, including, inter alia, assessing the risk attached to future cashflows. Pre-tax discount rates have been assessed for each CGU. The discount rate for Himex reflects uncertainty caused by the Navseeker Inc. ("Navseeker") litigation and the risks associated with developing an immature market. The discount rate for Ingenie also reflects uncertainty in developing an immature market . Discount rates in the Solutions and Services CGUs are generally lower reflecting the reduced risk associated with those more mature markets.

The disposal of the PSD has impacted the Services Division – UK and the Solutions Division – UK CGUs. Residual activities within those CGUs are of a smaller scale. All CGUs have been susceptible to adverse impacts following the detrimental publicity surrounding the Group during 2014. This has resulted in an upward revision to discount rates and reduction in long term growth rate assumptions. In the previous year, a consistent discount rate was applied across each division as the Groups activities were heavily weighted to the PSD across the Services Division – UK and Solutions Division – UK and Services Division Overseas, which were considered to have a similar risk profile.

The Solutions Division-UK has not been subject to an impairment charge. The recoverable amount of goodwill exceeds its carrying value by £8.3m. The change in key assumptions which would be necessary to reduce its recoverable value to its carrying value are as follows: Annualised Growth reduction to 7.2%; increase in Pre-tax discount rate to 31.3%. A change in the Long term growth rate of -2% would not reduce the recoverable value to below its carrying value.

Movement in Goodwill by CGU

The movement in goodwill by CGU is as follows:

	Restated 2013 £'000	Arising during the year less disposal £'000	Asset Group Held for Sale £'000	Other £'000	Impairment £'000	**2014 £'000**
Himex Inc.	-	69,125	-	-	(22,600)	**46,525**
Ingenie Limited	-	59,150	-	-	(30,918)	**28,232**
Solutions Division - UK	9,625	-	(4,729)	-	-	**4,896**
Solutions Division - Non UK	5,126	-	-	-	(5,126)	**-**
Services Division - UK	100,806	28,896	(121,122)	780	(5,689)	**3,671**
Services Division - Non UK	37,859	-	-	(696)	(29,910)	**7,253**
Other	39,531	-	-	113	(32,389)	**7,255**
	192,947	157,171	(125,851)	197	(126,632)	**97,832**

The goodwill arising during the year less disposal discloses the net addition in respect of Ingenie after offsetting the disposal arising due to loss of control of £62,589. Other comprises adjustment to 2013 acquisition assessment period changes and exchange differences.

An impairment charge of £22.6m arose in Himex Inc as a result of a lack of Group funding and a recall of a batch of telematics devices in July 2014 which significantly affected business volumes between July 2014 and March 2015. Furthermore, litigation was brought in March 2014 by minority shareholders of Evogi against former shareholder/current management team which diverted attention away from the development of the business.

An impairment charge of £30.9m arose in Ingenie Limited. On the acquisition date the Group recognised an immediate impairment loss on goodwill of £14.4m for the difference between the fair value of the consideration and fair value of the acquired business. The additional impairment of £16.5m reflects the development of Ingenie's business being hampered by brand association with its parent, increased price competition as other competitors develop their offerings, and delays to its roll out plans as funding was prioritised into the PSD during 2014.

Goodwill within the Solutions Division – Non UK has been impaired by £5.1m (to £nil) during the year. Value-in-Use calculations were performed using annualised revenue growth and pre-tax discount rates of 16% and a long term growth rate of 2% (2013: long term growth 3% and pre-tax discount rate of 9%). A further £5.7m has been impaired against the Services Division - UK. These impairments reflects the adverse publicity surrounding the Group during 2014 which has caused delays to those divisions securing contracts and implementing pipeline opportunities.

An impairment charge within the Services Division – Non UK of £29.9m reflects a downturn in anticipated revenues available from certain key markets and delays in the implementation of plans to increase the efficiency of the operation.

The impairment charge £32.4m within 'Other' includes £29.0m to reflect the Group's estimates of the future levels of profits which are attainable in energy related schemes following changes in government policy which have had a detrimental impact on carbon credit prices. As set out in note 3 a number of prior year adjustments have been made to the goodwill balance in relation to this business, the Directors have considered all available information in regard to this acquisition and whilst there are some ambiguities remaining feel that the remaining goodwill at 2013 reflected the business at that point in time. A further £1.8m was provided against 360 to reflect the amount recovered through its post year end sale and £1.6m was provided against Quintica to reflect a downturn in trading.

17. Property, plant and equipment

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost				
At 1 January 2013	8,929	400	5,392	14,721
Additions	515	193	2,520	3,228
Acquired on acquisition of subsidiaries (note 36)	318	1,821	1,572	3,711
Disposals	(5,099)	-	(1,560)	(6,659)
Exchange differences	(11)	(201)	(157)	(369)
At 1 January 2014	**4,652**	**2,213**	**7,767**	**14,632**
Additions	**150**	**459**	**9,703**	**10,312**
Acquired on acquisition of subsidiaries (note 36)	**-**	**-**	**2,729**	**2,729**
Disposals	**-**	**-**	**(499)**	**(499)**
Transfer to assets of disposal group classified as held for sale	**(1,228)**	**(178)**	**(5,557)**	**(6,963)**
Exchange differences	**(8)**	**(71)**	**(84)**	**(163)**
At 31 December 2014	**3,566**	**2,423**	**14,059**	**20,048**
Depreciation				
At 1 January 2013	4,244	275	2,906	7,425
Charge for the year	366	224	1,630	2,220
Disposals	(3,125)	-	(998)	(4,123)
Exchange differences	(4)	(93)	(150)	(247)
At 1 January 2014 (note 3)	**1,481**	**406**	**3,388**	**5,275**
Charge for the year	**509**	**292**	**4,197**	**4,998**
Impairments	**-**	**-**	**661**	**661**
Disposals	**-**	**-**	**(298)**	**(298)**
Transfer to assets of disposal group classified as held for sale	**(136)**	**(171)**	**(4,287)**	**(4,594)**
Exchange differences	**-**	**(30)**	**(55)**	**(85)**
At 31 December 2014	**1,854**	**497**	**3,606**	**5,957**
Net book value				
31 December 2014	**1,712**	**1,926**	**10,453**	**14,091**
31 December 2013 (note 3)	3,171	1,807	4,379	9,357

There were no material commitments for the acquisition of property, plant or equipment at either 31 December 2014 or 31 December 2013.

Depreciation of £776,000 (2013: £615,000) was charged in the year on assets of the disposal group classified as held for sale.

Assets with a net book value of £1,724,000 (2013: £1,034,000) are held under finance leases, on which depreciation of £681,000 (2013: £444,000) was charged in the year.

Telematics devices which are included as part of the services to end users were held with a net book value of £2,511,000 (2013: £nil), on which depreciation of £2,748,000 (2013: £nil) was charged in the year.

The £661,000 impairment relates to assets held in respect of the 360 assets to reflect the amount recovered through its post year end sale.

18. Associates

Set out below are the associates of the Group at 31 December 2014. In the opinion of the Directors, Nationwide Accident Repair Services Plc ("NARS") is the only material associate of the Group. The share capital of the associates listed below consists solely of ordinary shares which are held by the Group; the country of incorporation or registration is also their principal place of business.

Name of entity	**Country of incorporation**	**% Ownership interest**	**Nature of the relationship**	**Measurement method**
Ferneham Health Limited	England and Wales	49.0%	Associate	Equity
Nationwide Accident Repair Services Plc	England and Wales	25.3%	Associate	Equity
SMI Technologies Limited	England and Wales	33.0%	Associate	Equity

As at 31 December 2014, the fair value of the Group's interest in NARS, which is listed on the London Stock Exchange was £7,651,000 (2013: £6,995,000) and the carrying amount of the Group's interest was £7,069,000 (2013: £9,565,000).

There are no contingent liabilities relating to the Group's interest in its associates.

Summarised financial information for associates

Set out below are summarised financial information for the material associate, NARS:

Summarised Statement of Financial Position

	2014 £'000	2013 £'000
Current		
- Total current assets	**30,067**	30,084
- Total current liabilities	**(47,790)**	(30,682)
Non-current		
- Total non-current assets	**35,579**	20,236
- Total non-current liabilities	**(22,480)**	(19,685)
Net liabilities	**(4,624)**	**(47)**

Summarised statement of Comprehensive Income

	2014 £'000	2013 £'000
Revenue	**187,020**	156,621
Pre-tax profit from continuing operations	**1,303**	148
Post-tax profit from continuing operations	**670**	(194)
Other comprehensive income / (expense)	**(3,994)**	1,437
Total comprehensive income / (expense)	**(3,324)**	1,243
Dividends received from associate	**208**	109

The information above reflects the amounts presented in the financial statements of NARS and not the Group's share of those amounts. No adjustments are applied for differences in accounting policies between the Group and the associates since they are not material.

The investment in NARS was acquired as part of the Group's expansion into providing a full scope insurance claims solution. The planned exit of the Group from the services related component of the insurance sector meant that the investment ceased to have the same strategic value on an ongoing basis. Whilst no decision had been reached at the end of the year to disinvest, and thus the investment continued to be treated as an Associate, a review of the carrying value of this investment was performed at the year end. In considering the carrying value to the Group, and in light of its change in strategic direction, it was concluded that the most accurate indicator at the year end was by reference to the consideration received when the investment was sold in its entirety on the 4 March 2015 for £7.1m. As a result of this review, an impairment of £1.3m was recognised to reduce the carrying amount to this value at 31 December 2014.

Reconciliation of summarised financial information

2014	NARS £'000	Ingenie £'000	Himex £'000	Other £'000	Total £'000
Opening net assets at 1 January 2014	**(47)**	**4,131**	**19,106**	**(11)**	**23,179**
On transfer from investments	**-**	**-**	**-**	**(3)**	**(3)**
Profit for the year / period to reclassification	**670**	**-**	**-**	**12**	**682**
Reclassified as a subsidiary undertaking	**-**	**(4,131)**	**-**	**-**	**(4,131)**
Dividends in the year	**(1,253)**	**-**	**-**	**-**	**(1,253)**
Other comprehensive income	**(3,994)**	**-**	**-**	**-**	**(3,994)**
On transfer from subsidiary undertaking	**-**	**4,070**	**-**	**-**	**4,070**
Profit for the interim period to reclassification	**-**	**(121)**	**-**	**-**	**(121)**
Reclassified as a subsidiary undertaking	**-**	**(3,949)**	**(19,106)**	**-**	**(23,055)**
Closing net liabilities	**(4,624)**	**-**	**-**	**(2)**	**(4,626)**
Group's share of net liabilities	**(1,170)**	**-**	**-**	**-**	**(1,170)**
Consolidation and other adjustments	**9,577**	**-**	**-**	**100**	**9,677**
Impairment	**(1,338)**	**-**	**-**	**-**	**(1,338)**
Carrying value	**7,069**	**-**	**-**	**100**	**7,169**
2013 restated					
Opening net assets at 1 January 2013	-	-	-	-	-
On acquisition or on transfer from Investments	(358)	4,651	20,441	(28)	24,706
Profit/(Loss) for the year	(48)	35	(1,335)	17	(1,331)
Other comprehensive income	359	-	-	-	359
Foreign exchange differences	-	(555)	-	-	(555)
Closing net assets	(47)	4,131	19,106	(11)	23,179
Group's share of net assets/(liabilities)	(12)	1,805	3,630	-	5,423
Consolidation and other adjustments	9,577	21,015	3,142	271	34,005
Carrying value	9,565	22,820	6,772	271	39,428

Ingenie and Himex became subsidiaries during 2014. Further information is provided in note 36.

Himex became a subsidiary during the year. In February 2014, Ingenie was initially accounted for as a subsidiary. Consequently, management believes that Quindell lost control of Ingenie in May 2014 (so it was then accounted for as an associate) but then regained control in July 2014 upon signing the accelerated option agreements so it has since been accounted for as a subsidiary.

SMI was reclassified from an Investment to an Associate during the year when the Group obtained the option to increase its investment from 19% to 33%. The investment was impaired to £nil prior to becoming an Associate and is held at a carrying value of £nil.

19. Investments

	Fair value degree observable	2014 £'000	2013 £'000
Investments carried at Fair Value	Level 3	**4,017**	3,188

In note 33, a definition is given to record the degree to which fair values are observable. These are grouped into three levels: Level 1, Level 2 and Level 3. Where fair value calculations have been performed for investments, the level is disclosed above under "fair value degree observable".

The fair value degree represents unobservable inputs as they are based on unquoted entities – as listed in note 33 below.

	Shares in investments £'000
Cost	
At 1 January 2013	7,143
Additions	1,686
Reclassifications	(5,641)
At 1 January 2014	**3,188**
Additions	**4,125**
Disposals	**(1,500)**
Reclassifications	**(1,500)**
Foreign exchange differences	**34**
At 31 December 2014	**4,347**
Fair value movement	
At 1 January 2013 and 1 January 2014	**-**
Movement for the year	**(1,830)**
Reclassifications	**1,500**
At 31 December 2014	**330**
Net book value	
31 December 2014	**4,017**
31 December 2013	3,188

The following information relates to the fixed asset investment of the Group:

Investment name	Country of incorporation	Percentage holding
360Viewmax Limited	UK	**100.0%**
eeGeo Inc.	USA	**15.8%**

The principal activity of each investment is the provision of software, consulting and other services, or technology enabled business process outsourcing services.

During the year, the Group obtained an option to increase its investment in SMI from 19% to 33%. Prior to being reclassified to associates, its fair value was written down to nil, resulting in a charge to the Consolidated Statement of Comprehensive Income of £1,500,000. Upon transfer as an Associate, the previous fair value loss was reversed and a net loss of £1,500,000 on the re-measurement of Investments becoming Associates was recognised in the Consolidated Income Statement within Other Income. The fair value of the investment was assessed based on anticipated future discounted cash flows to net present value arising from that entity, using inputs which were not based on observable market data and fell within Level 3 of the fair value hierarchy.

In 2013, the Group acquired the interest in the shares of 360Viewmax Limited as part of the investment in the wider 360 group of companies. The Group did not gain the voting rights of 360Viewmax Limited and so has disclosed this as an investment. The carrying value of the investment was written down by £330,000 in the year to the value realised on disposal (along with the rest of the 360 group) post year end – note 40.

The fair value of remaining investments was assessed on net present value of cash flows or sales value less cost of sale and fall within Level 3 of the fair value hierarchy.

Reclassifications in 2013 relate to the transfer of Ingenie and Himex to associates from investments.

Details of principal subsidiary undertakings are provided in note 46.

20. Inventories

	2014 £'000	Restated 2013 £'000
Finished goods for resale	**735**	318
Telematics devices held pending fitting	**2,738**	-
	3,473	318

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

The significant increase in inventories at 31 December 2014 when compared to 31 December 2013 primarily relates to telematics devices held by Himex which became a subsidiary undertaking in the year, more details are provided in note 36.

For the finished goods for resale £2,760,000 (2013: £424,000) was expensed during 2014 for sales. £286,000 (2013: £nil) was expensed as stock write downs in cost of sales.

For the telematics devices these are taken to tangible fixed assets upon fitting to end user vehicles. During 2014, £1,079,000 (2013: £nil) impairment for obsolescence and firmware upgrades has been expensed prior to end user fitting.

21. Trade and other receivables

	2014 £'000	Restated 2013 £'000
Trade receivables (net of impairment provision)	**12,308**	95,524
Other receivables:		
- relating to legal disbursements due from insurance companies	**-**	15,782
- other	**8,166**	17,913
Prepayments	**4,538**	10,069
Accrued income	**7,851**	14,357
	32,863	153,645

Included above in 2013 within gross trade receivables (i.e. excluding impairment provisions) due from third parties was £91,270,000 relating to debts over which security (by way of fixed and floating charges) was taken as part of the provision of invoice discounting facilities to companies in the Group. No such amounts are included in 2014 since the related receivables have been transferred to assets of disposal group classified as held for sale. Further details are provided in note 37. The directors consider that the net carrying amount of Trade receivables approximates to their fair value.

Further disclosures concerning trade receivables are given in note 33.

22. Cash and cash equivalents

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

	2014 £'000	2013 £'000
Cash	**42,036**	199,596
Bank overdrafts (note 24)	**(4,968)**	(19,642)
	37,068	179,954
Amounts classified as held for sale		
Cash	**27,955**	-
Bank overdrafts	**(14,541)**	-
	50,482	179,954

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

23. Trade and other payables

	2014 £'000	Restated 2013 £'000
Current liabilities		
Trade payables	**11,692**	1,716
Payroll and other taxes including social security	**7,136**	13,516
Accruals	**23,299**	33,154
Deferred income	**10,555**	41,386
Other liabilities:		
- relating to legal disbursements	**-**	49,243
- other	**21,128**	-
	73,810	139,015
Non-current liabilities		
Other liabilities	**-**	1,896
	-	1,896

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.

Included within other liabilities of £21.1m is £12.1m received from S&G, which included £8.0m in respect of advance purchase price consideration relating to the sale of the PSD and a further £4.1m held as a deposit against cases transferred to S&G post year end and up to the completion date of 29 May 2015.

24. Borrowings

	2014 £'000	2013 £'000
Current		
Bank overdrafts	**4,968**	19,642
Cumulative redeemable preference shares	**500**	604
Other secured loans	**2,307**	25,145
Unsecured loans	**326**	752
Finance leases (note 25)	**1,081**	610
	9,182	46,753
Non-current liabilities		
Other secured loans	**-**	6,139
Cumulative redeemable preference shares	**4,947**	5,026
Unsecured loans	**-**	796
Finance leases (note 25)	**1,080**	661
	6,027	12,622
Total	**15,209**	59,375

	2014 £'000	2013 £'000
The borrowings are repayable as follows:		
- On demand or within one year	**9,182**	46,753
- In the second to fifth years inclusive	**6,027**	12,622
	15,209	59,375
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(9,182)**	(46,753)
Amount due for settlement after 12 months	**6,027**	12,622

The cumulative redeemable preference shares are in respect of PT Health and relate to non-voting Series 'A' preference shares (issued by PT Health between 2008 and 2011) with a cumulative dividend of 8.0% per annum paid quarterly. Holders of these shares may require PT Health to redeem them 10 years from the date of issuance at par of £5,447,000 (2013: £5,630,000). In the event of any liquidation, dissolution or winding up of PT Health, the Series 'A' holders shall be entitled to receive, from the assets of PT Health, a sum equal to the redemption amount before any amount is paid or assets of PT Health are distributed to common shares or any shares ranking junior to the Series 'A' preference shares. The Series 'A' preference shares shall not otherwise be entitled to any other amount or assets of PT Health.

In note 33 an explanation is given to show the degree to which fair values are observable. These are grouped into three levels: Level 1, Level 2 and Level 3.

	fair value degree observable	**2014 £'000**	Restated 2013 £'000
Liabilities:			
Cumulative redeemable preference shares	Level 3	**5,447**	5,630

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

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

	2014 %	2013 %
Bank overdrafts	**3.25**	3.25
Other secured loans	**3.44**	3.64
Cumulative redeemable preference shares	**8.00**	8.00
Unsecured loans	**1.09**	1.63

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

	2014 £'000	2013 £'000
Other secured loans (including invoice discounting facilities)	**2,307**	31,284
Cumulative redeemable preference shares	**5,447**	5,630
Unsecured loans	**326**	1,548
Finance leases	**2,161**	1,271
	10,241	39,733

The Group has the following committed undrawn borrowing facilities, all at floating interest rates which are based on prevailing LIBOR rates:

	2014 £'000	2013 £'000
Expiring within one year	**2,969**	7,438
Expiring beyond one year	**-**	10,031
	2,969	17,469

25. Obligations under finance leases

Continuing operations:	2014 £'000	Restated 2013 £'000
Minimum lease payments		
Within one year	**1,170**	679
In the second to fifth years inclusive	**1,123**	699
	2,293	1,378
Less future finance charges	**(132)**	(107)
Present value of lease obligations	**2,161**	1,271
Present value of minimum lease payments		
Within one year	**1,081**	610
In the second to fifth years inclusive	**1,080**	661
Present value of lease obligations	**2,161**	1,271
Analysed as:		
Amounts due for settlement within one year	**263**	186
Amounts due for settlement after more than one year	**1,898**	1,085
	2,161	1,271

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 3 years (2013: 3 years). For the year ended 31 December 2014, the average effective borrowing rate was 6.0% (2013: 7.8%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in sterling or Canadian dollars. The fair value of the Group's lease obligations is approximately equal to their carrying amount. The Group's obligations under finance leases are secured by the lessor's rights over the leased assets disclosed in note 17.

26. Provisions

	Tax related matters £'000	Legal disputes £'000	Onerous contracts £'000	Other £'000	Total £'000
At 1 January 2013 (restated)	2,413	-	-	-	2,413
- Additional provisions	1,928	1,000	-	-	2,928
At 1 January 2014 (restated)	**4,341**	**1,000**	**-**	**-**	**5,341**
Charged / (Credited) to the income statement:					
- Additional provisions	**16,039**	**6,538**	**1,511**	**1,855**	**25,943**
- Unused amounts reversed	**-**	**-**	**-**	**(10)**	**(10)**
- Used during the year	**-**	**-**	**-**	**(208)**	**(208)**
At 31 December 2014	**20,380**	**7,538**	**1,511**	**1,637**	**31,066**
Split:					
Non-current	**-**	**-**	**16**	**241**	**257**
Current	**20,380**	**7,538**	**1,495**	**1,396**	**30,809**

Tax related matters

A provision for tax-related matters has been established with respect to judgemental tax positions which have not yet been resolved. The amount provided represents the directors estimate of the likely outcome based upon the information available however the ultimate settlement may be different. The Group is taking steps to resolve this and believe this will be settled within twelve months from the balance sheet date.

Legal disputes

The amount provided in respect of legal cases is considered to be a prudent estimate at the higher end of the range of possible outcomes given the uncertainty in relation to these outcomes. If successful then the final settlement may be lower than the total provision recognised above.

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.

Other

Provisions have been established for expected costs where a commitment has been made at the balance sheet date and for which no future benefit is anticipated. No reimbursement has been recognised in relation to any provision as there is no certainty of recovery or reliable means of estimation. An element of this relates to costs expected to be incurred as a result of the restructuring of the senior management team committed before the year end but for which the exact timing and quantum was not agreed until after the year end.

27. Deferred tax

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

	Accelerated capital allowances £'000	**Provisions and other temporary differences £'000**	**Total £'000**
At 1 January 2013 restated	3,268	(102)	3,166
Credit to Consolidated Income Statement	(1,986)	(467)	(2,453)
Acquired with subsidiaries	1,691	-	1,691
At 1 January 2014	**2,973**	**(569)**	**2,404**
(Credit)/charge to Consolidated Income Statement	**(1,657)**	**549**	**(1,108)**
Acquired with subsidiaries	**11,964**	**-**	**11,964**
Transfer to liabilities of disposal group classified as held for sale	**(2,071)**	**7**	**(2,064)**
At 31 December 2014	**11,209**	**(13)**	**11,196**

	2014 £'000	Restated 2013 £'000
Deferred tax liabilities	**11,209**	2,973
Deferred tax assets	**(13)**	(569)
	11,196	2,404

At the Statement of Financial Position date, there are unrecognised deferred tax assets in respect of continuing businesses of £11,175,000 (2013: £2,392,000). Deferred tax balances for Statement of Financial Position purposes are analysed as follows:

	2014 £'000	Restated 2013 £'000
Deferred tax liability falling due within one year	**-**	625
Deferred tax liability falling due after one year	**11,209**	2,348
	11,209	2,973
Deferred tax asset to be recovered within one year	**-**	(569)
Deferred tax asset to be recovered after one year	**(13)**	-
	(13)	(569)

28. Share Capital

2014

	Number '000s	Nominal value Fully Paid £'000	Nominal Value Unpaid £'000	Nominal Value Total £'000
Issued shares of 1 pence fully paid at the start of the year	**5,669,978**	**56,700**	**-**	**56,700**
Issued shares of 1 pence fully paid	**500,097**	**5,001**	**-**	**5,001**
Issued shares of 1 pence unpaid	**16,899**	**-**	**169**	**169**
Effect of share consolidation	**(5,774,509)**	**-**	**-**	**-**
Issued shares of 15 pence	**23,982**	**3,597**	**-**	**3,597**
At the end of the year	**436,447**	**65,298**	**169**	**65,467**

2013

	Number '000s	Nominal value Fully Paid £'000	Nominal Value Unpaid £'000	Nominal Value Total £'000
Fully paid at the start of the year	3,621,602	36,216	-	36,216
Issued shares of 1 pence	2,048,376	20,484	-	20,484
At the end of the year	5,669,978	56,700	-	56,700

On 20 June 2014, the ordinary shares of the Company were consolidated. The share consolidation replaced every 15 existing ordinary shares of 1 pence each with 1 new ordinary share of 15 pence each. The impact of the share consolidation on the number of allotted, called up, unpaid and fully paid shares was 5,775 million. There was no change in the total value of the Company's issued share capital.

Included within the ordinary share capital, as at 31 December 2014, are 2,283,333 shares of 15 pence (31 December 2013: 30,762,488 of 1 pence) with a carrying value of £12,498,000 (31 December 2013: £5,209,000) held by PT Health. Further details are provided in note 29.

The Company has one class of ordinary shares of 15 pence each which carry no right to fixed income.

The Company issued the following ordinary shares during the year:

Reason for issue	Effective date of issue (2014)	Issue share price Pence	Number	Issue premium £'000
ORDINARY SHARES OF 1 PENCE ISSUED PRIOR TO 20 JUNE 2014				
Acquisitions:				
Quayside (2801) Holdings Limited (trading as ACH)	**8 January**	**20.825**	93,675,000	18,571
Crusader Assistance Group Holdings Limited	**14 January**	**22.125**	34,285,714	7,243
Himex Limited	**3 March**	**19.250**	273,881,778	49,983
Himex Limited	**8 April**	**38.144**	29,942,106	11,122
Share-based payments:				
In respect of RTA Management Services Limited:				
To employees	**8 January**	**16.401**	15,354,464	2,364
To non-employees	**8 January**	**16.401**	8,783,036	1,353
To employees in respect of Enzyme International Limited	**14 January**	**22.125**	8,200,000	1,732
To employees in respect of Simon Hall Associates Limited	**14 January**	**22.125**	500,000	106
To employees in settlement of prior year bonus	**14 January**	**22.125**	384,615	81
In settlement of invoices from suppliers:	**14 January**	**22.125**	5,000,000	1,056
	18 February	**39.750**	10,789,773	4,181
Investments and associates:				
Ingenie Limited	**4 February**	**31.125**	15,348,836	4,624
Exercise of warrants:	**4 February**	**2.470**	4,048,538	60
Issue of unpaid shares (see note 1 below)	**18 June**	**1.000**	16,899,321	-
			517,093,191	102,476
ORDINARY SHARES OF 15 PENCE ISSUED AFTER 20 JUNE 2014				
Acquisitions:				
PT Healthcare Solutions Corp.	**23 June**	**547.370**	6,666,666	35,492
Himex Limited	**14 July**	**180.500**	2,676,479	4,430
Ingenie Limited	**14 July**	**207.129**	12,632,557	24,268
Iter8 Inc. (deferred consideration)	**14 July**	**161.987**	320,736	471
	5 December	**161.987**	101,586	149
Share-based payments:				
In respect of Iter8 inc.	**14 July**	**178.401**	1,584,025	2,588
			23,982,049	67,398
				169,874

On 18 June 2014, the Company issued 16,899,321 ordinary shares of 1 pence to TMC, a related party (see note 39). The shares remain unpaid as at the balance sheet date and the Company has yet to call upon TMC for payment. The shares have been presented in own equity (see note 3). It is the intention of the Group to seek either repayment of the unpaid share capital amounting to £169,000 from TMC or apply for 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.

The total premium of £169,874,000 is split between the share premium account (£105,461,000) and the reverse acquisition and merger reserve (£64,413,000) as per note 29. An adjustment of £12,000 has been made to the reverse acquisition and merger reserve as a result of corrections to two issues of shares in 2012 and 2013. No change has been made to the prior year figures in this respect due to the immaterial amount of the error.

Share-based payments – all schemes (warrants, options and post-combination vendor remuneration)

Volatility is a measure of the amount by which a price is expected to fluctuate during a period. The measure of volatility used in all of the Group's option pricing models are the annualised standard deviation of the continuously compounded rates of return on the share over a period of time. In estimating the future volatility of the Company's share price, the Board considers the historical volatility of the share price over the most recent period that is generally commensurate with the expected term of the option, taking into account the remaining contractual life of the option.

Share-based payments in the 2014 Consolidated Income Statement include options charges of £4,102,000, 2013 post combination vendor remuneration charge of £2,826,000 and 2012 post combination vendor remuneration charge of £504,000, totalling £7,432,000. Warrants charges totalling £9,953,000 and share-based payments which settle liabilities to suppliers totalling £5,395,000 are shown within exceptional items.

Share-based payments – warrants

The Group has issued warrants, which are equity settled share-based payments. The Group had the following warrants outstanding as at 31 December 2014:

	Exercise price Pence[1]	Expiry Date	2014 Number[1]	2013 Number[1]
Grant date				
14 July 2011	37.05	28 April 2014	-	269,905
14 June 2013	195.00	14 June 2015[2]	16,666,667	16,666,667
28 May 2014	262.50	14 June 2015[3]	1,190,476	-
			17,857,143	**16,936,572**

Note
1. The amounts set above are after adjusting for the 1 for 15 share consolidation.
2. Earlier of 14 June 2015 or when the Company obtains a Premium Listing on the London Stock Exchange.
3. Exercise price was the lower of 262.50 pence per warrant and, in the event of an exercise following a Premium Listing on the London Stock Exchange, the price per ordinary share equal to the average of the middle market quotations for existing issued ordinary shares on the London Stock Exchange during the period of 30 days ending on the last dealing day prior to the date on which the Premium Listing Exercise Notice is issued.

Details of the movement in share warrants outstanding are as follows:

	2014		2013	
	Number[1]	WAEP Pence[1]	Number[1]	WAEP Pence[1]
Outstanding at the beginning of the year	**16,936,572**	**192.48**	1,544,354	37.05
Granted	**17,857,143**	**717.50**	16,666,667	195.00
Forfeited	**-**	**-**	(27)	37.10
Cancelled	**(16,666,667)**	**750.00**	-	-
Exercised[2]	**(269,905)**	**37.05**	(1,274,422)	37.10
Expired	**-**	**-**	-	-
Outstanding at the end of the year	**17,857,143**	**199.50**	16,936,572	192.45
Exercisable at the end of the year:				
Issued at 37.05p	**-**	**-**	269,905	37.05
Issued at 195.00p	**16,666,667**	**195.00**	16,666,667	195.00
Issued at 262.50p	**1,190,476**	**262.50**	-	262.50

Note
1. The amounts set above are after adjusting for the 1 for 15 share consolidation.
2. The share price on the date of exercise was 466.88 pence.

The Group recognised a total expense of £9,953,000 (2013: £4,576,000) related to the cost of warrants during the year (included as exceptional costs within administrative expenses). The expected life used in the model was adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. As a consequence of the warrants granted in 2013 having no linked performance period and all obligations being met at the outset, the Consolidated Income Statement charge in relation to these warrants was accelerated in full in 2013 rather than spread over the life of the warrants.

As at 31 December 2014, the weighted average remaining contractual life of all warrants outstanding was 0.46 years (2013: 1.44 years) and the weighted average exercise price was 717.50 pence (2013: 192.45 pence).

The weighted average fair value of warrants granted during the year determined using the Black-Scholes valuation model (after adjusting for the 1 for 15 share consolidation), was 131.39 pence per warrant (2013: 27.45 pence).

The weighted average significant inputs into the Black-Scholes model for warrants issued in each of the years shown below were as follows:

	Year ended 31 December	
	2014	2013
Weighted average share price (pence)[1]	**565.50**	134.25
Weighted average exercise price (pence)[1]	**717.50**	195.00
Expected volatility	**80.00%**	81.40%
Expected life (years)	**1.21**	1.00
Risk free rate	**0.42%**	2.10%
Expected dividend yield	**0.00%**	0.49%

Note

1. The weighted average share prices and exercise prices above are after adjusting for the 1 for 15 share consolidation.

2014 RAC Warrants

On 5 April 2014, the Group granted warrants to subscribe to 16,666,667 ordinary shares to RAC Limited ("RAC") (after adjusting for the 1 for 15 share consolidation), exercisable between the date of grant and 5 April 2016. They were issued as part of the wider commercial arrangements with the RAC. The warrants were to vest in three tranches: the first tranche of 6,666,667 warrants vest immediately. The second and third tranches, which totalled 10,000,000 warrants, were conditional upon the achievement of certain performance conditions. On 1 September 2014, all of the warrants were cancelled prior to the achievement of the performance conditions. Immediately prior to the cancellation of the warrants, no unvested warrants were expected to meet the performance conditions. Therefore, no charge has been recorded in relation to the second and third tranches. The Group recognised a total expense of £9,006,000 during the year in relation to the first tranche of these warrants.

2014 IBRI Warrants

On 28 May 2014, the Group granted warrants to subscribe to 952,381 ordinary shares to Independent Broker Resources Inc. ("IBRI"), and warrants to subscribe to 238,095 ordinary shares to 2277360 Ontario Inc, a company owned by C Simpson, the CEO of IBRI, (all after adjusting for the 1 for 15 share consolidation) exercisable between the date of grant and 14 June 2015. They were issued as part of the wider commercial arrangements with IBRI. These warrants had no vesting conditions and had a subscription price of the lower of 262.50 pence (after adjusting for the 1 for 15 share consolidation) and, in the event of an exercise following a Premium Listing on the London Stock Exchange, the price per ordinary share equal to the average of the middle market quotations for existing issued ordinary shares on the London Stock Exchange during the period of 30 days ending on the last dealing day prior to the date on which the Premium Listing Exercise Notice is issued. The Group recognised a total expense of £947,000 related to these warrants.

All warrants issued in 2014 lapsed after the year end without being exercised.

Share-based payments – options

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

The Group had the following options outstanding as at 31 December 2014:

	Exercise price Pence[1]	Expiry Date	2014 Number[1]	2013 Number[1]
Grant date				
21 November 2013	240.00	30 June 2019	4,027,046	4,787,462
21 November 2013	240.00	30 June 2019	1,724,533	2,349,533
21 November 2013	240.00	30 June 2017	103,544	155,774
21 November 2013	240.00	30 June 2019	445,832	445,832
06 March 2014	600.00	30 June 2019	583,333	-
20 June 2014	240.00	30 June 2019	1,333,333	-
18 December 2014	33.00	18 December 2024	16,333,332	-
			24,550,953	**7,738,601**

Note

1. The amounts above are after adjusting for the 1 for 15 share consolidation.

Details of the movement in options outstanding are as follows:

	2014 Number[1]	**2014** WAEP Pence[1]	2013 Number[1]	2013 WAEP Pence[1]
Quindell Plc Unapproved Options				
Outstanding at the beginning of the year	**7,738,601**	**240.00**	-	-
Granted	**18,583,332**	**72.59**	7,738,601	240.00
Forfeited	**(1,770,980)**	**420.00**	-	-
Cancelled	**-**	**-**	-	-
Exercised	**-**	**-**	-	-
Expired	**-**	**-**	-	-
Outstanding at the end of the year	**24,550,953**	**110.84**	7,738,601	240.00
Exercisable at the end of the year	**24,550,953**	**110.84**	7,738,601	240.00

Note

1. The amounts above are after adjusting for the 1 for 15 share consolidation.

The Group recognised a total expense of £4,102,000 (2013: £345,000) related to the cost of options during the year (included as share-based payment charges within administrative expenses). As of 31 December 2014, the weighted-average remaining contractual life of the options outstanding is 8.1 years (2013: 5.6 years) and the weighted-average exercise price (after adjusting for the 1 for 15 share consolidation) was 110.84 pence (2013: 240.00 pence). The expected life used in the model was adjusted, based on management's best estimate, for the effects of non-transferability, performance conditions, exercise restrictions, and behavioural considerations.

The weighted average fair value of options granted during the year determined using the Black-Scholes valuation model (after adjusting for the 1 for 15 share consolidation) was 34.14 pence per option (2013: 97.50 pence). The options are equity settled share-based payments and the significant inputs into the Black-Scholes model for options issued were as follows:

	Year ended 31 December **2014**	2013
Weighted average share price (pence)[1]	**70.17**	2.40
Weighted average exercise price (pence)[1]	**72.59**	2.40
Expected volatility	**120%**	80.44%
Expected life (years)	**0.5 - 3.3 years**	0.6 - 3.4 years
Risk free rate	**0.4% - 1.8%**	2.80%
Expected dividend yield	**0%**	0.49%

Note

1. The amounts above are after adjusting for the 1 for 15 share consolidation.

2014 options

Options over 750,000 shares (after adjusting for the 1 for 15 share consolidation) in the Company with an exercise price of 600 pence were granted on 6 March 2014 under the Group's Unapproved Share Option Scheme. Options over 1,500,000 shares in the Company with an exercise price of 240 pence were granted on 20 June 2014 under the Group's Unapproved Share Option Scheme. The exercise periods for all options vested under both of these schemes ends on 30 June 2019.

Options over 16,333,332 shares in the Company with an exercise price of 33 pence were granted on 18 December 2014 under the Group's Unapproved Share Option Scheme. These options vested on completion of the disposal of the PSD on 29 May 2015. The exercise period for all options vested ends on 18 December 2024.

2013 options

Options over 7,738,601 ordinary shares (after adjusting for the 1 for 15 share consolidation) in the Company with an exercise price of 240 pence were granted on 21 November 2013 under the Group's Unapproved Share Option Scheme. All options vest in equal tranches commencing if the performance criteria for each option holder, which includes reference to the Group's upper targets for adjusted earnings per share, has been met for that year. 5.2 million will vest in three equal tranches commencing 1 July 2014, 2.3 million will vest annually in three equal tranches commencing 1 July 2015 and 0.2 million options will vest annually in two equal tranches commencing 1 July 2014. The exercise periods for all options vested ends on 30 June 2019.

Share-based payments – Post combination vendor remuneration

These share-based payments are equity settled and the inputs for the valuation of the 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 20.50 pence per share (2013: 11.89 pence per share).

	2014	2013
Weighted average share price (pence)	**20.50**	13.00
Weighted average exercise price (pence)	**15.00**	1.00
Expected volatility	**80.00%**	80.44%
Expected life (years)	**3.00**	3.00
Risk free rate	**1.00%**	2.80%
Expected dividend yield	**0.00%**	0.60%

2014 Post combination vendor remuneration (all classified as discontinued operations in the year)

On 8 January 2014, the Group acquired ACH. Refer to note 36 for further detail on this acquisition. As part of these acquisitions, the Group awarded 24,137,500 ordinary shares of 1 pence to the former owners of RTA Management Services Limited ("RTAM"); after giving effect to the 1 for 15 share consolidation, this award consisted of 1,609,167 ordinary shares of 15 pence. The Group acquired RTAM in contemplation of its acquisition of ACH's business, and RTAM entered into a contract to provide management services to the acquired business; as such, these share-based payments were granted to the former owners of RTAM primarily for their future management services. In addition, these share-based payments included payments for introduction services which were unconnected with the ongoing services provided by RTAM. Consequently, the consideration transferred to RTAM's owners in the form of the Company's shares has been accounted for as remuneration in the form of equity-settled share-based payments.

The shares issued were fair valued using the published share price on the date of issue, discounted by the Group's cost of equity to factor in the time value of the consideration. The Group recognised a total expense of £3,959,000 related to the cost of share -based payments in the year (included as share-based payment charges within administrative expenses of the discontinued business). No further charges are expected in the future.

On 30 March 2012, the Group announced the acquisition of Enzyme. On 14 January 2014, it allotted 8,200,000 ordinary shares of 1 pence to the former owner of Enzyme in recognition of the achievement of warranted profit targets for the year ended 31 December 2013; after giving effect to the 1 for 15 share consolidation, this award consisted of 546,666 ordinary shares of 15 pence. As explained in note 3, despite some conflicting evidence the Board has concluded that the most appropriate treatment of the consideration transferred in the form of the Company's shares is that it be accounted for as remuneration in the form of equity-settled share-based payments granted in connection with continuing management services.

The shares issued were fair valued using the published share price on the date of issue, discounted by the Group's cost of equity to factor in the time value of the consideration. The Group recognised a total expense of £1,814,000 related to the cost of share-based payments in the year (included as share-based payment charges within administrative expenses of the discontinued business). No further charges are expected in the future.

On 14 May 2012, the Group announced the acquisition of SHA. On 14 January 2014, it allotted 500,000 ordinary shares of 1 pence to the former owner of SHA in recognition of the achievement of warranted profit targets for the year ended 31

December 2013; after giving effect to the 1 for 15 share consolidation, this award consisted of 33,333 shares. There is evidence that suggests that shares were granted for continuing management services and consequently the consideration transferred in the form of the Company's shares was accounted for as remuneration in the form of equity-settled share-based payments.

The shares issued were fair valued using the published share price on the date of issue, discounted by the Group's cost of equity to factor in the time value of the consideration. The Group recognised a total expense of £111,000 related to the cost of share-based payments in the year (included as share-based payment charges within administrative expenses of the discontinued business). No further charges are expected in the future.

2014 Share-based payments in settlement of invoices from suppliers

During the year, the Company was invoiced for fees for broking services by its broker and Nominated Adviser Cenkos Securities Plc, which it settled via the issue of a total of 15,789,733 ordinary shares of 1 pence. The shares issued were fair valued using the published share price on the date of issue. The Group recognised a total expense of £5,395,000 which has been included as share-based payment charges within exceptional items.

2013 Post combination vendor remuneration

As disclosed in note 36, 71,281,142 shares of 1 pence issued as consideration for the purchase of iter8 Inc. ("Iter8") have been treated as a post combination vendor remuneration item as entitlement to certain shares issued as consideration to three of the vendors was linked to their ongoing employment with the Group. The commitment to issue these shares was made on 17 April 2013 and for the purposes of the valuation of share-based payments have an effective exercise price of 1 pence. A Black-Scholes model has been used to value these share-based payments.

The Group recognised a total expense of £2,826,000 (2013: £1,990,000) related to the cost of share-based payments during the year (included as share-based payment charges within administrative expenses). Future share-based payment charges are expected in 2015 and 2016 of £2,826,000 and £836,000 respectively.

As at 31 December 2014, the weighted average remaining contractual life of these share-based payments was 1.3 years and the weighted average exercise price was 1 pence.

2012 Post combination vendor remuneration

Following the acquisition of IT Freedom Limited ("IT Freedom") in 2012, 33,031,533 shares of 1 pence issued as consideration for the purchase of IT Freedom have been treated as a post combination vendor remuneration item as entitlement to these shares issued as consideration to employee vendors was linked to their ongoing employment with the Group. These shares were issued on 23 May 2012 and for the purposes of the valuation of share-based payments have an effective exercise price of 1 pence. A Black-Scholes model has been used to value these share-based payments.

The Group recognised a total expense of £504,000 in the current year (2013: £485,000) related to the cost of share-based payments (included as share-based payment charges within administrative expenses). Future share-based payment charges in relation to the IT Freedom acquisition are expected in 2015 of £252,000.

29. Reserves

	2014 £'000	**Restated 2013 £'000**
Share premium account	**430,070**	322,905
Reverse acquisition and merger reserve	**178,258**	113,857
Shares to be issued	**30,744**	55,505
Other reserves	**31,036**	(1,854)
Foreign currency translation reserve	**(2,401)**	(4,238)
Retained earnings	**(472,743)**	(100,962)
Non-controlling interests	**4,065**	3,746

The share premium account represents the fair value of the share consideration over and above the share's nominal value of 15 pence per share (1 pence per share prior to the share consolidation exercise in 2014) for those shares issued as consideration for acquisitions that take the Group's ownership of the acquired entity up to 90%. In addition to the increase to the reserve noted in note 28 of £105,461,000 there was a further increase in the year of £1,704,000 from gains made on sale of shares treated as held in treasury.

The reverse acquisition and merger reserve represents the fair value of the share consideration over and above the share's nominal value of 15 pence per share (1 pence per share prior to the share consolidation exercise in 2014) for those shares issued as consideration for acquisitions that take the Group's ownership of the acquired entity above 90%.

The consolidated Group accounts show the reverse acquisition and merger reserve net of the reverse acquisition reserve of £10,842,000 created on the reverse acquisition of QL by Mission Capital (which occurred in 2011 (note 3, PYA A)). In the transaction, the Company remains the legal parent and therefore the Company accounts show the gross position of the reverse acquisition reserve.

The fair value of the share consideration over and above the share's nominal value of 15 pence per share (1 pence per share prior to the share consolidation exercise in 2014) for all other shares issued by the Company is included in the share premium reserve. In addition, directly attributable costs incurred in the issuing of shares are also recognised in the share premium reserve.

The shares to be issued reserve represents deferred consideration payable by the issue of the Company's shares in respect of acquisitions made by the Group. Movements in the reserve in the year are as follows:

	£'000	£'000
At 1 January 2014 restated		55,505
Shares to be issued – note 36:		
Himex	54,007	
Ingenie date of control 4 February	37,958	
Ingenie – shares no longer issuable on loss of control 7 May	(37,958)	
Ingenie date of control 4 July	19,111	
		73,118
Shares issued:		
iter8	(684)	
Himex	(54,007)	
Ingenie	(19,111)	
		(73,802)
Shares no longer issuable:		
PT Health	(14,018)	
QPS	(10,059)	
		(24,077)
Shares to be issued at 31 December 2014		**30,744**

As a result of the option renegotiation with PT Health, 6,666,666 ordinary shares of 15 pence at 210.272p were no longer issuable and have been transferred to retained earnings. QPS did not meet certain profit and cash generation targets in the year, meaning that 5,837,037 ordinary shares of 15 pence at 168.218p each were no longer issuable and have been transferred to retained earnings.

Further information regarding the non-controlling interest reserve can be found in the disclosure of the Himex and Ingenie acquisitions (note 36).

Other reserves comprise:

	Equity reserve £'000	Shares treated as held in treasury £'000	Share based payments £'000	Share consideration reserve £'000	Total other reserves £'000
At 1 January 2013 restated	54	(22,000)	(1,242)	-	(23,188)
Shares treated as held in treasury	-	(8,061)	-	-	(8,061)
Disposal of shares treated as held in treasury	-	22,000	-	-	22,000
Share-based payments	-	-	7,395	-	7,395
At 1 January 2014 restated	**54**	**(8,061)**	**6,153**	**-**	**(1,854)**
Shares treated as held in treasury	**-**	**(36,659)**	**-**	**-**	**(36,659)**
Disposal of shares treated as held in treasury	**-**	**32,055**	**-**	**-**	**32,055**
Fair value adjustment to share consideration	**-**	**-**	**-**	**22,934**	**22,934**
Share-based payments – note 28	**-**	**-**	**17,386**	**-**	**17,386**
Shares issued in respect of iter8 – note 28	**-**	**-**	**(2,826)**	**-**	**(2,826)**
At 31 December 2014	**54**	**(12,665)**	**20,713**	**22,934**	**31,036**

The acquisition of PT Health (see note 36) involved a share for share exchange in 2013 which resulted in the Company's own ordinary share capital being held by one of its consolidated subsidiaries, PT Health. In accordance with IAS 32.33, the Group therefore accounted for these equity instruments held by PT Health as if they were treasury shares, and has accordingly deducted them at cost from equity by including them in other reserves. On sale, the shares treated as held in treasury reserve is credited at carrying value on a first in first out basis with any resulting gain or loss being shown directly in retained earnings.

This acquisition in 2013 was accounted for under the anticipated acquisition method whereby, although the subsidiary is not 100% owned (in PT Health's case 26.0% was acquired in October 2013 which also represented the Group's holding at December 2013), it is accounted for as if it were wholly owned based on the terms of acquisition of the remaining share capital of the subsidiary and, accordingly, the further consideration still expected to be paid is accounted for via the shares to be issued reserve. A further 23.9% of PT Health's share capital was acquired by the Group in June 2014 (which took its holding to 49.9%) and this was also via a share for share exchange so the shares acquired by PT Health pursuant to this transaction, which were valued at £36,490,000, have also been accounted for as if they were treasury shares.

At the year end, the carrying value of the Company's shares held by PT Health was £12,498,000 (2013: £5,209,000) which represented 2,283,333 shares (2013: 2,050,832). Any gains or losses recognised in the subsidiary's income statement have been removed on consolidation.

Shares treated as held in treasury reserve

In accordance with IAS 32.33, the Group treats its own shares, which are held by consolidated subsidiaries or where it has issued equity instruments where the underlying substance dictates that the economic benefit flows back to the Group, as if such shares were treasury shares and deducts them at cost from equity by including them within the shares treated as held in treasury reserve. On sale, the reserve is credited at carrying value on a first in first out basis. Any gains arising on the subsequent sale of shares are recognised as an increase in share premium whilst any losses are shown directly in retained earnings.

	£'000	£'000
At 1 January 2014 restated		(8,061)
Shares issued to PT Health – above	(36,490)	
Shares issued to TMC – note 28	(169)	
Shares treated as held in treasury		(36,659)
Sale of shares held by PT Health	29,203	
Sale of shares by 360 – note 3 PYA C	2,852	
Disposal of shares treated as held in treasury		32,055
Shares treated as held in treasury reserve at 31 December 2014		(12,665)

The sale of shares held by PT Health realised a loss of £16,351,000. The sale of certain of the shares held by 360 realised a loss of £81,000. In total, losses on sale of shares treated as held in treasury resulted in a net reduction in retained earnings of £16,432,000. Sales of other shares held by 360 realised a gain of £1,704,000 which has been recognised as an increase in the share premium account.

Share consideration reserve

The share consideration reserve represents the difference between the fair value of shares consideration versus the value of non-controlling interest acquired. In respect of the acquisition of Himex, this amounted to an increase in the share consideration reserve of £10,444,000 and in respect of the acquisition of Ingenie an increase of £12,490,000, which in total amounts to an increase of £22,934,000 and is shown in the Consolidated Statement of Changes in Equity as fair value adjustment to share consideration.

Share-based payments reserve

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

30. Operating lease commitments

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

	Land and buildings		Plant and equipment	
	Continuing operations 2014 £'000	2013 £'000	**Continuing operations 2014 £'000**	2013 £'000
Expiring:				
Within one year	**4,047**	3,219	**13**	7
Between two and five years	**9,123**	6,339	**-**	106
After five years	**2,966**	2,511	**-**	-
	16,136	12,069	**13**	113

Operating lease payments represent rentals payable by the Group for certain of its rehabilitation clinics in Canada, office properties and operating equipment. Leases are typically negotiated for an average period of three years in the case of plant and machinery, five years in the case of buildings.

31. Cash flow from operating activities

	2014 £'000	Restated 2013 £'000
Loss after tax	**(374,484)**	(67,707)
Tax	**(750)**	3,694
Finance expense	**2,135**	2,078
Finance income	**(570)**	(384)
Operating loss	**(373,669)**	(62,319)
Adjustments for:		
Exceptional costs	**2,108**	13,731
Loss on Equity Swap	**-**	-
Share-based payments	**28,665**	8,357
Depreciation of property, plant and equipment	**4,998**	2,220
Amortisation of intangible fixed assets	**33,172**	39,191
Impairment of goodwill	**126,632**	-
Impairment of investments and associates	**2,392**	-
Impairment of intangible assets	**9,401**	-
Impairment of property, plant and equipment	**661**	-
Share of (profit)/loss of associates	**(712)**	**(242)**
Net gain on re-measurement of investments on becoming associates and associates on acquisition of control	**(18,001)**	**(4,186)**
Loss on loss of control over subsidiary	**5,781**	-
Loss on disposal of plant, property and equipment	**201**	34
Profit on disposal of interests in property, subsidiary undertaking and operation (See note 54)	**-**	(37)
Operating cash flows before movements in working capital and provisions	**(178,371)**	(3,251)
Decrease in inventories	**3,456**	94
Decrease in trade and other receivables	**39,848**	13,882
Increase/(decrease) in trade and other payables	**57,193**	(25,768)
Cash generated from operations before exceptional costs	**(77,874)**	(15,043)

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

	1 January £'000	Acquisitions £'000	Cash flow movements £'000	Non-cash movements £'000	31 December £'000
2014					
Cash	**199,596**	**(12,480)**	**(117,141)**	**16**	**69,991**
Overdrafts and bank loans	**(19,642)**	**(866)**	**999**	**-**	**(19,509)**
Cash and cash equivalents	**179,954**	**(13,346)**	**(116,142)**	**16**	**50,482**
Other secured loans < 1 year	**(25,145)**	**(4)**	**(691)**	**-**	**(25,840)**
Other secured loans > 1 year	**(6,139)**	**-**	**2,260**	**-**	**(3,879)**
Cumulative redeemable preference shares < 1 year	**(604)**	**-**	**-**	**104**	**(500)**
Cumulative redeemable preference shares > 1 year	**(5,026)**	**-**	**-**	**79**	**(4,947)**
Unsecured loans < 1 year	**(752)**	**-**	**426**	**-**	**(326)**
Unsecured loans > 1 year	**(796)**	**-**	**796**	**-**	**-**
Finance leases < 1 year	**(610)**	**-**	**910**	**(1,386)**	**(1,086)**
Finance leases > 1 year	**(661)**	**-**	**-**	**(419)**	**(1,080)**
Net funds	**140,221**	**(13,350)**	**(112,441)**	**(1,606)**	**12,824**
2013					
Cash	48,050	1,085	150,461	-	199,596
Overdrafts and bank loans	(15,871)	(1,015)	(2,756)	-	(19,642)
Cash and cash equivalents	32,179	70	147,705	-	179,954
Other secured loans < 1 year	(6,052)	(5,875)	(13,157)	(61)	(25,145)
Other secured loans > 1 year	(7,171)	-	1,032	-	(6,139)
Cumulative redeemable preference shares < 1 year	-	(540)	-	(64)	(604)
Cumulative redeemable preference shares > 1 year	-	(5,399)	-	373	(5,026)
Unsecured loans < 1 year	(228)	(498)	(26)	-	(752)
Unsecured loans > 1 year	(304)	-	(492)	-	(796)
Finance leases < 1 year	(479)	(24)	636	(743)	(610)
Finance leases > 1 year	(568)	-	-	(93)	(661)
Net funds	17,377	(12,266)	135,698	(588)	140,221

33. Financial instruments and financial risk management

(a) Carrying value and fair value

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

	Available for sale £'000	Loans & receivables £'000	Other liabilities £'000	Total carrying value £'000	Total fair value £'000
At 31 December 2014					
Available for sale investments	4,017	-	-	4,017	4,017
Trade & other receivables	-	12,308	-	12,308	12,308
Cumulative redeemable preference shares	-	-	(5,447)	(5,447)	(5,447)
Unsecured loans	-	-	(326)	(326)	(326)
Other secured loans	-	-	(2,307)	(2,307)	(2,307)
Trade & other payables	-	-	(18,828)	(18,828)	(18,828)
Finance leases	-	-	(2,161)	(2,161)	(2,161)
Bank overdraft	-	-	(4,968)	(4,968)	(4,968)
Cash & cash equivalents	-	42,036	-	42,036	42,036
At 31 December 2013 (restated)					
Available for sale investments	3,188	-	-	3,188	3,188
Trade & other receivables	-	95,524	-	95,524	95,524
Cumulative redeemable preference shares	-	-	(5,630)	(5,630)	(5,630)
Unsecured loans	-	-	(1,548)	(1,548)	(1,548)
Other secured loans	-	-	(31,284)	(31,284)	(31,284)
Trade & other payables	-	-	(15,232)	(15,232)	(15,232)
Finance leases	-	-	(1,271)	(1,271)	(1,271)
Bank overdraft	-	-	(19,642)	(19,642)	(19,642)
Cash & cash equivalents	-	199,596	-	199,596	199,596

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

(a) The fair value of available for sale investments represents disposal proceeds less cost to sell or by discounting future cash flows to net present values.

(b) The fair value of obligations under finance leases, cumulative redeemable preference shares and other borrowings is estimated by discounting the future cash flows to net present values.

(c) 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.

(d) 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.

(b) Fair value hierarchy

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

(c) Financial risk management

The Group's financial instruments comprise borrowings, derivative financial instruments, 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 Group's operations.

Fair value estimation

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

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

Interest risk and sensitivity

The Group borrows principally to fund its working capital needs. Interest rates are at a low level currently and the Group's profitability would be affected by an increase in interest rates. The Group has in place a policy of minimising finance charges on overdraft and loan balances whilst maintaining flexibility in working capital sources via the monitoring and offsetting of cash balances across the Group and by forecasting and financing its working capital requirements. In addition, when pricing for contracts, headroom is built into funding rate estimates. Interest bearing assets consist of cash balances which earn interest at variable rates. Finance lease arrangements are contracted on fixed rate terms.

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

	2014 **£'000**	Restated 2013 £'000
Variable rate instruments	**20**	526

Liquidity risk

The Group generates funds from operations which are managed centrally. The Group has historically maintained a mix of short and medium term borrowings from the Group's lenders. Following the sale of the PSD, the Group's facilities were repaid. The Group intends to retain a sufficient level of liquidity to ensure it has a sufficient level of funding to develop its operations, recognising that it operates in markets which it believes are high growth. Liquidity risks will be managed through regular forecasting and reporting of its working capital requirements, including conducting sensitivity analysis and growth scenario testing. It will maintain surplus funds in accessible deposits.

The following are the contractual maturities of financial liabilities:

Non-derivative financial liabilities	**Carrying amount £'000**	**Contractual cash flows £'000**	**Less than 1 year £'000**	**Between 1-5 years £'000**	**Over 5 years £'000**
2014					
Other secured loans	**2,307**	**(2,374)**	**(2,374)**	**-**	**-**
Cumulative redeemable preference shares	**5,447**	**(5,447)**	**(500)**	**(2,742)**	**(2,205)**
Unsecured loans	**326**	**(328)**	**(328)**	**-**	**-**
Trade and other payables	**18,828**	**(18,828)**	**(18,828)**	**-**	**-**
Finance leases	**2,161**	**(2,293)**	**(1,170)**	**(1,123)**	**-**
	29,069	**(29,270)**	**(23,200)**	**(3,865)**	**(2,205)**
2013					
Other secured loans	31,284	(31,408)	(25,243)	(6,035)	(130)
Cumulative redeemable preference shares	5,630	(5,630)	(604)	(2,269)	(2,757)
Unsecured loans	1,548	(1,570)	(738)	(832)	-
Trade and other payables	15,232	(15,232)	(15,232)	-	-
Finance leases	1,271	(1,281)	(615)	(666)	-
	54,965	(55,121)	(42,432)	(9,802)	(2,887)

Capital risk

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

Credit risk

The Group is not subject to significant concentration of credit risk with exposure spread across many companies. Where amounts are due for legal disbursements (see note 21) these are also recoverable from a significant number of insurance companies, thus spreading any concentration across the market. Policies are maintained to ensure that the Group enters into sales contracts that are tailored to the customers' respective credit risk. The credit quality of the Group's trade receivables is considered by management to be good as the exposure to a concentration of debt from a small number of individual end customers is low. Further information is given in the Financial Review in relation to areas of cash and debtor management including block settlements with insurers and a collaboration settlement protocol aimed at speeding up and giving greater certainty to the timing of receipts.

The average credit period taken on sales of services is 152 days (2013: 143 days). No interest is charged on the receivables balances. The Group does not hold any collateral or other credit enhancements over these balances nor has the legal right of offset with any amounts owed by the Group to the receivables counterparty.

Following the sale of the PSD and prior to the anticipated return of capital to shareholders, the Group will hold significant deposits which will be spread across several UK regulated banks holding either AAA or AA credit ratings. Excluding the Group's principal banker, RBS, no deposit with any one bank will exceed £150m.

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

	2014 £'000	2013 £'000
Sterling	**9,284**	52,599
Canadian Dollar	**5,691**	6,111
Other	**234**	665
	15,209	59,375

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

	Note	**2014 £'000**	Restated 2013 £'000
Non-derivative financial assets			
Trade receivables	**21**	**12,308**	95,524
Cash and cash equivalents	**22**	**42,036**	199,596
		54,344	295,120

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

	2014 £'000	Restated 2013 £'000
UK	**7,245**	85,594
Canada	**2,606**	3,495
Rest of World	**2,457**	6,435
	12,308	95,524

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

	2014 £'000	Restated 2013 £'000
Sterling	**7,245**	87,913
Canadian Dollar	**2,606**	3,495
Other	**2,457**	4,116
	12,308	95,524

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

	2014 Gross £'000	2014 Impairment £'000	2014 Net £'000	Restated 2013 Gross £'000	Restated 2013 Impairment £'000	Restated 2013 Net £'000
Under 1 year	**17,417**	**5,166**	**12,251**	64,771	1,192	63,579
1-2 years	**103**	**46**	**57**	15,762	103	15,659
2-3 years	**4**	**4**	**-**	11,505	57	11,448
3 years and over	**-**	**-**	**-**	4,931	93	4,838
	17,524	**5,216**	**12,308**	96,969	1,445	95,524

Within net loans and other receivables above, £nil (2013 Restated: £64,334,000) relates to claims due from insurance companies and self-insuring organisations and these are all in respect of balances held by discontinued operations. In view of the tripartite relationship between the Group, its customer and the at-fault party's insurer and the nature of the claims process, claims due from insurance companies do not carry a contractual 'due date' and consequently, IFRS 7 disclosures in relation to claims due from insurance companies and self-insured organisations are not provided. Instead, the Group monitored the number of days credit taken across all receivables, as noted above.

Included in the net loans and other receivables balance above is £8,893,000 (2013 Restated: £26,528,000) which are subject to contractual payment terms, of which an amount of £4,032,000 (2013 Restated: £3,980,000) represents debts which are past their due date but not impaired. An ageing of this past due but not impaired debt is shown below:

	2014 £'000	Restated 2013 £'000
Under 1 year	**3,813**	3,590
1-2 years	**219**	390
	4,032	3,980

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

	2014 £'000	Restated 2013 £'000
At 1 January	**1,445**	265
Provision for receivables impairment	**4,889**	312
Acquired with subsidiary	**467**	960
Receivables written off	**(1)**	(15)
Unused amounts reversed	**(71)**	(38)
Transfer to assets of the disposal group classified as held for sale	**(1,513)**	-
Exchange differences	**-**	(39)
At 31 December	**5,216**	**1,445**

The allowance has been determined by reference to the recoverability of specific due and overdue debts. Included above is an allowance of £3,744,000 for impairment of other receivables which is included in impairments in the Consolidated Income Statement. The creation and reversal of provisions for impaired trade receivables where they arise are included in administrative expenses in the Consolidated Income Statement. The directors consider that the carrying amount of trade and other receivables approximates their fair value.

34. Ultimate parent company

The ultimate parent company of the Group is Quindell Plc. There were no shareholders with overall control of the Company as at 31 December 2014 or 31 December 2013.

35. Contingent liabilities

The Group routinely enters into a range of contractual arrangements in the ordinary course of events which can give rise to claims or potential litigation against group companies. It is the 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 23 June 2015, the FCA informed the Group that it had commenced an investigation under the Financial Services and Markets Act 2000 in relation to public statements made regarding the financial accounts of the Group during 2013 and 2014. The Group is co-operating fully with the investigation. At this stage, the timing of completion of the 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.

In addition, the Directors are aware of a law firm that has announced the intention of forming a claimant group to commence litigation against the Group. No such litigation has yet been formally threatened or commenced.

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 outcome on the Group of the FCA investigation and any group litigation that may potentially be brought against the Group is subject to a number of significant uncertainties and these cannot currently be determined. Accordingly, no provision has been made in respect of these matters.

36. Acquisition of subsidiaries

2014

The Group made four significant acquisitions during the year. In each case, the Group obtained control through a combination of control over voting rights, positions on the Board or by virtue of put and call options that were entered into and which are then accounted for under the anticipated acquisition method for accounting for business combinations. Where the Company's own shares formed part of the consideration of an acquisition, these have been valued according to the opening bid price (as recorded by the London Stock Exchange) on the day legal title passed or, where the anticipated acquisition method for accounting for business combinations has been elected to be used, the day the Group concluded that it controlled the acquired entity, discounted by the Group's cost of equity to factor in the time value of the consideration.

For all acquisitions in the current year, where contingent or deferred consideration (cash or shares) that is linked to future performance conditions is included in the cost of acquisition, the fair value of the maximum amount, be that in cash or by way of issuing shares, has been included based on a current assessment of performance of each business against those future performance conditions. In the event that any performance conditions are not met, then these contingent elements are subject to clawback provisions. The range of potential outcomes that could arise is as shown in the table below, whereby an amount up to the full value of the contingent or deferred consideration could be recovered. However, consistent with the current judgement noted above, no amounts are currently expected to be clawed back and as a result, no indemnification asset has been recognised.

In note 33, a definition is given to record the degree to which fair values are observable. These are grouped into three levels: Level 1, Level 2 and Level 3.

Where fair value calculations have been performed for any contingent consideration or indemnification assets included as part of the cost of acquisition, the level was as follows:

	Fair value degree observable	**2014 £'000**	2013 £'000
Non-current assets:			
Consideration subject to clawback	Level 3	-	41,057

The fair value degree represents unobservable inputs as they are based on warranted result performance conditions in relation to profit and/or cash generation targets of the underlying businesses acquired. There is no sensitivity of this fair value judgement on the Consolidated Income Statement as no amounts have been recognised for clawback in either financial year. An indemnification asset of £1,694,000 has been recognised in respect of the acquisition of Crusader relating to the settlement of a customer dispute which existed at the acquisition date and which was settled during 2014 (2013: £nil).

Himex

On 1 January 2014, the Group acquired control over Himex through its ability to exercise an option agreement to acquire a further 58% interest in Himex for a consideration of 280,557,680 ordinary shares of 1 pence and cash of £15,000,000. On 17 February 2014, a sale and purchase agreement in respect of the purchase of the majority shareholding in Himex was entered into under which Quindell increased its investment in Himex in total by 66% to 85% for a consideration of 303,823,894 ordinary shares of 1 pence and cash of £15,000,000. The primary reason for the acquisition was to enhance the Group's "Connected Car" proposition and increase margins using the Himex software alongside the Group's proposition in the telematics market.

The following table summarises the consideration transferred for Himex, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date:

Net Assets acquired	**£'000**
Bank overdraft	(866)
Property, plant and equipment and device inventory over 36 months	807
Investments	7,746
Customer relationship (included in intangibles)	21,800
Brand (included in intangibles)	2,600
Software (included in intangibles)	28,200
Inventory	5,369
Trade and other receivables	3,359
Trade and other payables	(10,549)
Deferred tax liabilities	(10,516)
Total identifiable net assets	**47,950**
Consideration	
Shares to be issued	54,007
Cash	15,000
Fair value of equity interest in Himex previously held	22,245
Fair value of non-controlling interest	25,823
	117,075
Goodwill	**69,125**

*Amounts have been converted from USD to GBP at a rate of USD/GBP 1.649.

Since the Group acquired control over Himex by virtue of the call option agreement to acquire controlling shareholding in the investee, goodwill was calculated as a difference between: (1) the aggregate of the fair value of the previously held interest in Himex, 23.1% non-controlling interest, shares to be issued for the 57.9% interest under the option agreement, and (2) fair value of net identifiable assets.

The goodwill of £69,125,000 represents the value associated with selling an established telematics software platform to future customers in North America and Europe, as well as expected synergies arising from the ability to cross-sell other Himex products and services. The workforce, which is not separately valued, also forms an element of the goodwill.

The carrying amount of the previously held 19% in Himex was £6,773,000 before the acquisition date. The re-measurement to fair value of the Group's existing 19% interest in Himex resulted in a gain under IFRS 3 of £15,472,000 that has been recognised in the Consolidated Income Statement for the year ended 31 December 2014 as 'Other income'.

Acquisition costs of £491,000 have been charged to administrative expenses in the Consolidated Income Statement for the year ended 31 December 2014.

Valuation of acquired intangible assets

Himex's software relates to its *Ignition* telematics platform, *Mi World* user interface, *Lock Ex* mobile device tracking capability, Virtual World geo-location 3D mapping and its policy rating and claims management source codes. Valuations were based on using a relief from royalty approach which estimates the present value of the after-tax licensing costs saved by owning the software.

Customer relationships have been valued using the Multi-Period Excess Earnings Method, which assesses the present value of after tax cashflows attributable to that asset. At the date of acquisition, Himex had a number of long term contracts with leading American insurance companies with commitments to rolling out telematics products.

Brand has been valued using relief for royalty approach, which applies a market royalty to expected sales, discounted back to present value. This has been limited to the consumer brands of *Road Angel* and *Road Pilot.*

The fair value of the acquired business of £117,075,000 was determined by reference to the fair value of the consideration that included cash of £15,000,000 and 280,557,680 ordinary shares to be issued as part of the consideration. Fair value of shares to be issued as part of the consideration was based on the published share price on 1 January 2014. To determine the fair value of the acquired business the Group grossed up the value that was equivalent to the fair value of the consideration transferred in exchange for the interest acquired in Himex.

The non-controlling interest was measured at its market value. The fair value of the non-controlling interest in Himex, an unlisted Company, was estimated by applying 23% to the fair value of the acquired business.

In July 2014, the Group completed the purchase of a further 15.2% of the shares in Himex for consideration in the form of 2,676,479 ordinary shares of 15 pence which were fair valued at £4,831,000. This took the Group's ownership in Himex to 99.92%.

The revenue included in the Consolidated Income Statement since 1 January 2014 contributed by Himex was £7,750,000. Amortisation of intangible assets over the same period amounts to £10,320,000. Himex also contributed an adjusted EBITDA loss of £5,208,000 over the same period.

Ingenie

On 4 February 2014 the Group acquired control over Ingenie through its ability to exercise an option agreement to acquire a further 50.4% interest in Ingenie which would take its ownership from 49.6% to 100%. Under the main option agreement signed on 4 February, which was for a further 33.1% interest in exchange for 121,953,487 ordinary shares of 1 pence, and subsequent option agreements signed over the following 16 days which were for the remaining 17.3% interest in exchange for 63,813,952 ordinary shares of 1 pence, the shareholders of Ingenie granted Quindell an option to acquire their shares for a consideration totalling 185,767,439 ordinary shares of 1 pence. The option was exercisable at any time from 4 February 2014 to 31 January 2015. Under the terms of the option agreement, the option was not exercisable if Quindell shares were traded at a discount greater than 10% to 21.5 pence ("Share Price Floor"). On the date of the option agreement, the Group's share prices were higher than the established Share Price Floor.

During May 2014, Quindell's share price decreased by more than 10% to the "Share Price Floor"; starting from June 2014 the share price remained at a lower level until the end of 2014. Given the decrease in Quindell's share price, in June 2014 the Group and the shareholders of Ingenie who were parties to the option agreement agreed the terms of a new "accelerated" option which provided that the Group could exercise the call option within 7 days. The new accelerated option agreements established a reduced "Share Price Floor" of 180 pence (or 12 pence before the 1 for 15 share consolidation that took place on 20 June 2014).

On 11 July 2014, a sale purchase agreement in respect of the purchase of the remaining shareholding in Ingenie was entered into under which Quindell increased its investment in Ingenie in total by 50.4% from 49.6% to 100%. The terms of the transaction were satisfied by the issue of 12,384,496 ordinary shares by Quindell. The primary reason for the acquisition of Ingenie was to enhance the Group's telematics offering in certain territories, including the UK.

In accordance with the requirements of IFRS 10 *Consolidated Financial Statements*, management believes that the initial option agreement gave Quindell power over Ingenie on the date of the original option agreement until the date when the Quindell's shares fell below the "Share Price Floor". On 4 February 2014 the option agreement was substantive since Quindell had a practical ability to exercise its rights. However, in May and June 2014 the options became not exercisable (hence, not substantive) due to a decrease in Quindell's share price below the "Share Price Floor". This continued until July 2014 when the accelerated option agreements were signed.

Consequently, management have concluded that Quindell obtained control over Ingenie on 4 February 2014; lost control in May 2014 and regained control over Ingenie in July 2014 upon signing the accelerated option agreements.

Acquisition of control on 4 February 2014

The following table summarises the consideration transferred for Ingenie, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date of 4 February 2014:

Net assets acquired	**£'000**
Cash and cash equivalents	4,216
Property, plant and equipment	1,726
Investments	756
Customer relationship (included in intangibles)	1,100
Brand (included in intangibles)	3,400
Software (included in intangibles)	1,200
Inventory	1,403
Trade and other receivables	5,701
Trade and other payables	(9,671)
Deferred tax liability	(1,140)
Total identifiable net assets	**8,691**
Consideration	
Fair value of shares to be issued	37,958
Fair value of equity interest in Ingenie held before the acquisition	35,334
Fair value of non-controlling interest	12,348
	85,640
Goodwill	**76,949**

The fair value of Ingenie of £71,280,000 was determined by reference to the value of the 121,953,487 ordinary shares that were to be issued as part of the consideration under the original option. The value of the shares was determined based on the Floor Price. This fair value was also supported by reference to a discounted cash flow model prepared by the Group. Management believes that using £71,280,000 as a basis for accounting for the business combination is appropriate based on the premise that the parties have set up the shares exchange ratio at the end of 2013 when the market value of the Company's shares was significantly lower; and based on this approach the fair value of consideration amounted to £71,280,000, which approximated the fair value of Ingenie.

Consequently, the fair value of the equity interest in Ingenie held before the acquisition and the fair value of the non-controlling interest was calculated based on the fair value of the acquired business of £71,280,000.

Since the Group acquired control over Ingenie by virtue of the revised option to acquire controlling shareholding in the investee, goodwill was calculated as a difference between (1) the aggregate of the fair value of the previously held interest in Ingenie, 17% non-controlling interest, shares to be issued for the 33% interest under the option agreement and (2) fair value of net identifiable assets.

The value of the shares to be issued of £37,958,000 was determined by reference to the value of ordinary shares that were to be issued as part of the consideration under the initial option agreement. Fair value of the shares to be issued was determined based on the published price on 4 February 2014. On the acquisition date, the Group recognised an immediate impairment loss on goodwill of £14,360,000 for the difference between the fair value of the consideration and fair value of the acquired business.

The remaining goodwill of £62,589,000 represented the value associated with future sales of Behaviour Based Insurance ("BBI") to customers in the rapidly developing UK market and the value potential of being able to exploit the existing technology and expertise in newer Ingenie markets such as Canada and the US. The workforce, which was not separately valued, also formed an element of the goodwill.

The £35,334,000 fair value of the previously held interest in Ingenie (49.6%) was determined based on its proportion of the fair value of the acquired business.

The carrying amount of the previously held interest in Ingenie of 49.6% was £27,770,000 before the acquisition. The re-measurement to fair value of the Group's existing 49.6% interest in Ingenie resulted in a gain of £7,564,000 that has been recognised in the Consolidated Income Statement for the year ended 31 December 2014 as 'Other income'.

Acquisition costs of £363,000 have been charged to administrative expenses in the Consolidated Income Statement for the year ended 31 December 2014.

Ingenie is an innovative broker that uses telematics technology to reward safe driving by lowering premiums. It is a B2C brand and registered trade mark and has been in existence for 5 years. Targeted primarily at young people it is marketed through multiple media channels and also has social media presence through Twitter and Facebook. It has been valued using a relief from royalty method. Customer relationships and contracts have been valued using the Multi Period Excess Earnings Method. The customer base is split between sales generated directly through the Ingenie website and aggregator websites. Aggregators act as a conduit for sales and each customer's relationship is with Ingenie thereafter. Ingenie has developed a number of proprietary IT software platforms and algorithms, which contribute to the BBI service offering. Software has been valued using the anticipated replacement cost method.

The non-controlling interest was measured at its market value. The fair value of the non-controlling interest in Ingenie, an unlisted company, was estimated by applying 17% to the fair value of the acquired business.

The revenue included in the Consolidated Income Statement from 4 February 2014 to 7 May 2014 contributed by Ingenie was £2,043,000. Amortisation of intangible assets over the same period amounts to £347,000. Ingenie also contributed adjusted EBITDA of £796,000 over the same period.

Had Ingenie been consolidated from 1 January 2014 to 7 May 2014, the Consolidated Income Statement would show pro-forma revenue of £2,685,000 and adjusted EBITDA of £1,035,000.

This pro-forma information does not purport to represent what our actual results would have been had the acquisition actually occurred on 1 January 2014, nor are they necessarily indicative of future results of operations. In determining the contributions, management has assumed that the fair value adjustments that arose on the date of the acquisition would have been the same as if the acquisition had occurred on 1 January 2014.

As a result of loss of control over Ingenie on 7 May 2014 the Group recognised a loss of £5,841,000 which is shown within exceptional items in the Consolidated Income Statement for the year ended 31 December 2014.

The fair value of the 49.6% remaining interest in Ingenie on 7 May 2014 of £29,679,000 was determined based on its proportion of the fair value of Ingenie. Fair value of Ingenie was determined using linear interpolation with reference to the fair value of Ingenie at 4 February 2014 of £71,280,000 and the fair value of Ingenie at 4 July 2014 of £52,739,000 (described below).

Acquisition of control on 4 July 2014

The following table summarises the consideration transferred for Ingenie, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date of 4 July 2014:

Net assets acquired	**£'000**
Cash and cash equivalents	3,751
Property, plant and equipment	1,755
Customer relationship (included in intangibles)	1,000
Brand (included in intangibles)	2,800
Software (included in intangibles)	1,200
Inventory	1,113
Trade and other receivables	10,630
Trade and other payables	(13,300)
Deferred tax liability	(1,000)
Total identifiable net assets	**7,949**
Consideration	
Fair value of shares to be issued	19,111
Fair value of equity interest in Ingenie held before the acquisition	26,143
Fair value of non-controlling interest	7,485
	52,739
Goodwill	**44,790**

The goodwill of £44,790,000 represented the value associated with future sales of BBI to customers in the rapidly developing UK market and the value potential of being able to exploit the existing technology and expertise in newer Ingenie markets such as Canada and the US. The workforce, which was not separately valued, also formed an element of the goodwill.

Since the Group acquired control over Ingenie by virtue of the revised option to acquire controlling shareholding in the investee, goodwill was calculated as a difference between (1) the aggregate of the fair value of the previously held interest in Ingenie, 14% non-controlling interest, shares to be issued for the 36% interest under the accelerated option agreements and (2) fair value of net identifiable assets.

The carrying amount of the previously held interest in Ingenie of 49.6% was £29,679,000 before the acquisition. The re-measurement to fair value of the Group's existing 49.6% interest in Ingenie resulted in a loss of £3,535,000 that has been recognised in the Consolidated Income Statement for the year ended 31 December 2014 as ‘Other income’.

The fair value of the acquired business of £52,739,000 was determined by reference to the fair value of the 12,632,557 ordinary shares that were to be issued as part of the consideration under the revised option. The fair value of the shares was based on the published share price on 4 July 2014. To determine the fair value of the acquired business the Group grossed up the value that was equivalent to the fair value of the Company’s shares to be issued in exchange for the interest acquired in Ingenie group.

The non-controlling interest was measured at its market value. The fair value of the non-controlling interest in Ingenie, an unlisted company, was estimated by applying 14% to the fair value of the acquired business.

Fair value of the shares to be issued was determined based on the published price on 4 July 2014.

The revenue included in the Consolidated Income Statement since 4 July 2014 contributed by Ingenie was £4,010,000. Amortisation of intangible assets over the same period amounts to £616,000. Ingenie also contributed adjusted EBITDA of £669,000 over the same period.

Had Ingenie been consolidated from 1 January 2014, the Consolidated Income Statement would show pro-forma revenue of £8,129,000 and adjusted EBITDA of £2,806,000.

This pro-forma information does not purport to represent what our actual results would have been had the acquisition actually occurred on 1 January 2014, nor are they necessarily indicative of future results of operations. In determining the contributions, management has assumed that the fair value adjustments that arose on the date of the acquisition would have been the same as if the acquisition had occurred on 1 January 2014.

Crusader Assistance Group Holdings Limited (“Crusader”)

On 14 January 2014, following FCA approval, the Group acquired the entire issued share capital of Crusader. The primary reason for the acquisition was to enable the Group to increase its rate of organic growth in full claims management services for a number of UK insurance brokers. The fair value of the identifiable assets and liabilities of Crusader at acquisition date are set out below:

Net assets acquired	**£’000**
Cash and cash equivalents	64
Property, plant and equipment	39
Customer relationship (included in intangibles)	1,850
Indemnification asset	1,694
Trade and other receivables	12,701
Trade and other payables	(14,481)
Deferred tax liabilities	(448)
Total identifiable net assets	**1,419**
Consideration	
Cash paid on acquisition	1,000
Equity instruments (34,285,714 ordinary shares of 1 pence)	7,586
Contingent cash payment	186
Total consideration	**8,772**
Goodwill	**7,353**

The fair value of the 34,285,714 ordinary shares of 1 pence issued as part of the consideration paid was based on the published share price on 14 January 2014. The shares are subject to lock-in conditions over three years from the date of acquisition.

The resultant goodwill of £7,353,000 represents the value to the Group that can be driven from these underlying assets over the life of the acquired business and comprises the value of expected synergies arising from the acquisition together with the workforce, which is not separately recognised. Acquired receivables are included within the trade and other receivables balances above and the carrying value of these is considered to be their fair value. No significant trade receivable provision was acquired, nor adjusted.

An indemnification asset has been recorded of £1,694,000 relating to the settlement of a customer dispute which existed at the acquisition date and which was settled during 2014.

Contingent consideration of £186,000 represents £1,906,000 of consideration payable on the first and second anniversaries of the acquisition, less £1,720,000 clawback due to under-performance of the business compared to the warranted cash targets set in the Share Purchase Agreement.

Acquisition costs of £81,000 were incurred and included as exceptional costs within administrative expenses.

Customer relationships and contracts have been valued using the Multi Period Excess Earnings Method.

The revenue included in the Consolidated Income Statement since 14 January 2014 contributed by Crusader was £9,708,000. Crusader also contributed profit before tax of £1,732,000 over the same period. These figures are not materially different to those that would have been included had Crusader been consolidated from 1 January 2014.

ACH

On 8 January 2014, the Company acquired the group comprising a number of companies including Quayside (2801) Holdings Limited and its trading subsidiary ACH Group Management Limited, (together "ACH") which was a referral partner of QLS, supplying marketing leads.

The fair value of the identifiable assets and liabilities of ACH at acquisition date are set out below:

Net assets acquired	**£'000**
Cash and cash equivalents	619
Property, plant and equipment	128
Trade and other receivables	3,346
Trade and other payables	(1,128)
Total identifiable net assets	**2,965**
Consideration	
Cash	5,000
Equity instruments (93,675,000 ordinary shares of 1 pence)	19,508
Total consideration	**24,508**
Goodwill	**21,543**

The fair value of the 93,675,000 ordinary shares of 1 pence issued as part of the consideration paid was based on the published share price on 8 January 2014. The shares are subject to lock-in conditions over three years from the date of acquisition.

The resultant goodwill of £21,543,000 represents the value to the Group that can be driven from these underlying assets over the life of the acquired business and comprises the value of expected synergies arising from the acquisition together with the workforce, which is not separately recognised. Acquired receivables are included within the trade and other receivables balances above and the carrying value of these is considered to be their fair value. No significant trade receivable provision was acquired, nor adjusted.

Acquisition costs of £169,000 were incurred and included as exceptional costs within administrative expenses.

Since acquisition on 8 January 2014, all revenues generated by ACH have been to fellow group companies and hence eliminate on consolidation. Had they been to external customers, revenues of £18,099,000 would have been included. ACH also contributed profit before tax of £4,803,000 over the same period. These figures are not materially different to those that would have been included had ACH been consolidated from 1 January 2014.

2013 acquisitions

iter8

On 18 April 2013, the Group acquired the entire issued share capital of iter8, a leading SaaS provider to the North American insurance broker and agent market. The provisional fair value of the identifiable assets and liabilities of iter8 at acquisition date are set out below:

	Carrying value £'000	Fair value £'000
Tangible fixed assets	168	168
Intangible assets	3,983	2,256
Trade and other receivables	1,614	1,614
Cash and cash equivalents	9	9
Trade and other payables	(2,518)	(2,518)
Deferred tax asset	-	397
Net assets acquired	**3,256**	**1,926**
Consideration:		
- Cash		2,500
- Deferred cash		2,500
- Deferred shares (19,004,571 ordinary shares of 1 pence out of 90,285,713)		2,052
Total consideration		**7,052**
Goodwill arising from acquisition		**5,126**

The deferred shares are issuable over three years from the date of acquisition and are subject to lock in conditions. The value of the shares has been discounted by the Group's cost of equity to take account of the time value of the consideration. The discount amount was £418,000. Of the 90,285,713 ordinary shares of 1 pence issued as deferred shares, 19,004,571 have been treated as consideration for the acquisition (as above). The remaining 71,281,142 ordinary shares of 1 pence have been treated as linked to post combination vendor remuneration as entitlement to these shares, issued as consideration to three of the vendors was linked to their ongoing employment with the Group. The 71,281,142 ordinary shares of 1 pence have been valued under share-based payment rules and a share-based payment charge recognised for the charge to the Consolidated Income Statement in the current year. Additional disclosure is included in notes 9 and 28.

The resultant goodwill of £5,126,000 represents the value to the Group that can be driven from these underlying assets over the life of the acquired business and comprises the value of expected synergies arising from the acquisition together with the workforce, which is not separately recognised. Acquired receivables are included within the trade and other receivables balances above and the carrying value of these is considered to be their fair value. No significant trade receivable provision was acquired, nor adjusted. Included within the fair value adjustments above is a £3,983,000 adjustment to revalue licence and distribution agreements previously capitalised in the acquired entity. Prior to the acquisition, the Group had supplied to iter8 a licence and software with a value of £3,983,000. This pre-existing relationship was settled on acquisition. The underlying software acquired was then separately fair valued at £1,136,000 at the date of acquisition. Customer relationships were fair valued at £1,120,000.

Acquisition costs of £306,000 were incurred and included as exceptional costs within administrative expenses. The deferred cash is due to be paid in April 2014, and the additional share consideration of 19,004,571 ordinary shares of 1 pence is due to be issued in three equal annual installments commencing April 2014.

PT Health

On 26 September 2013, the Group acquired a 26% stake in PT Health, a leading provider of healthcare and rehabilitation services in Canada, (via a share-for-share exchange) with an option to acquire the remaining 74% of the business. Whilst the Group's shareholding in PT Health was only 26% as at 31 December 2013, the Directors have concluded that the Group controls PT Health by virtue of the put and call options that exist regarding the acquisition of the remaining equity shares in PT Health by the Group, and by virtue of the funding that the Group had provided to PT Health since it took its 26% investment. The terms of the put and call option include the unconditional ability to exercise the call option, expiring 31 March 2014. As a consequence, PT Health has been consolidated as a subsidiary undertaking using the anticipated acquisition method, consistent with IFRS 3, on the basis that the put and call option provides substantive potential voting rights in accordance with IFRS 10. The primary reason for acquisition was to enable the Group to enhance the range of products that it could offer to customers.

The provisional fair value of the identifiable assets and liabilities of PT Health at acquisition date are set out below:

	Carrying value £'000	Fair value £'000
Tangible fixed assets	3,213	3,213
Intangible assets	1,232	1,593
Inventories	252	252
Trade and other receivables	5,014	5,014
Cash and cash equivalents	113	113
Other secured loans	(5,875)	(5,875)
Unsecured loans	(498)	(498)
Cumulative redeemable preference shares	(5,939)	(5,939)
Finance leases	(5)	(5)
Trade and other payables	(4,995)	(5,085)
Deferred tax liabilities	-	(72)
Net liabilities acquired	**(7,488)**	**(7,289)**
Consideration:		
- Fair value of non-controlling interest		716
- Deferred ordinary shares of 1 pence (242,000,000)		33,924
Total consideration		
		34,640
Goodwill arising from acquisition		**41,929**

The deferred shares included in consideration in the table above relate to the put and call option shares. The Company's shares issued for the share-for-share exchange on acquisition have been accounted for as if they are treasury shares – see note 28 for further details. The value of the shares has been discounted by the Group's cost of equity to take account of the time value of the consideration. The discount amount was £6,914,000. The goodwill of £41.9m represents the value to the Group that can be driven from these underlying assets over the life of the acquired business and comprises the value of expected synergies arising from the acquisition together with the workforce, which is not separately recognised. Acquired receivables are included within the trade and other receivables balances above and the carrying value of them is considered to be their fair value. No significant trade receivable provision was acquired, nor adjusted. The non-controlling interest recognised on acquisition is in respect of PT Health's cumulative redeemable preference shares. Acquisition costs of £104,000 were incurred and included as exceptional costs within administrative expenses.

The Directors have reviewed the provisional fair values determined at the date of acquisition and adjusted these based upon information which clarified the position at the acquisition date. The adjustments to the provisional fair values relate to quantifying payables which were uncertain and the recoverability of inventory values.

	Provisional fair values at acquisition £'000	Adjustments to provisional fair values £'000	Revised fair values £'000
Tangible fixed assets	3,213	-	3,213
Intangible assets	1,593	-	1,593
Inventories	252	(74)	178
Trade and other receivables	5,014	-	5,014
Cash and cash equivalents	113	-	113
Other secured loans	(5,875)	-	(5,875)
Unsecured loans	(498)	-	(498)
Cumulative redeemable preference shares	(5,939)	-	(5,939)
Finance leases	(5)	-	(5)
Trade and other payables	(5,085)	(202)	(5,287)
Deferred tax liabilities	(72)	-	(72)
Net liabilities acquired	**(7,289)**	**(276)**	**(7,565)**
Consideration:			
- Fair value of non-controlling interest	716		716
- Deferred ordinary shares of 1 pence (16,133,333)	33,924		33,924
Total consideration			
	34,640		**34,640**
Goodwill arising from acquisition	**41,929**		**42,205**

QPS

On 3 May 2013, the Group formed QPS, a group bringing together a number of businesses, related to the supply of outsourced property services and SaaS based technology solutions including the disruptive use of video within the insurance property supply chain.

The provisional fair value of the identifiable assets and liabilities of QPS at acquisition date are set out below:

	Carrying value £'000	Fair value £'000
Tangible fixed assets	153	153
Intangible assets	1,451	2,811
Trade and other receivables	3,270	3,270
Cash and cash equivalents	(38)	(38)
Trade and other payables	(2,752)	(2,793)
Deferred tax liabilities	-	(313)
Net assets acquired	**2,084**	**3,090**
Consideration:		
- Cash		1,375
- Ordinary shares of 1 pence (70,095,239) – adjusted, note 3 PYA C		7,166
- Deferred contingent ordinary shares of 1 pence (171,245,033) – adjusted, note 3 PYA C		19,529
- Fair value of non-controlling interest		3,122
- Revaluation of initial investment at the point of gaining control		(880)
Total consideration		
		30,312
Goodwill arising from acquisition		**27,222**

The fair value of non-controlling interest included in the table above relates to an acquired subsidiary of Quindell Property Services.

The shares already issued are subject to lock in conditions over three years from the date of acquisition. The deferred shares are issuable over three years from the date of acquisition and are then also subject to lock in conditions. The value of the deferred shares and shares already issued has been discounted by the Group's cost of equity to take account of the time value of the consideration. The discount amount was £4,423,000. The goodwill of £27.2m represents the value to the Group that can be driven from these underlying assets over the life of the acquired business and comprises the value of expected synergies arising from the acquisition together with the workforce, which is not separately recognised. Acquired receivables are included within the trade and other receivables balances above and the carrying value of them is considered to be their fair value. No significant trade receivable provision was acquired, nor adjusted. The non-controlling interest recognised on acquisition is in respect of a subsidiary in QPS. Acquisition costs of £245,000 were incurred and included as exceptional costs within administrative expenses.

Other acquisitions

During the year, the Group also made a series of smaller acquisitions of companies as follows:

Company	Date of Acquisition (2013)	Shares £'000	Consideration Cash £'000	Total £'000
Compass Costs Consultants Limited ("Compass Costs")	6 February	6,978	-	6,978
iSaaS	25 March	3,715	1,340	5,055
React & Recover Medical Group Limited ("R&R")	25 March	6,608	625	7,233
		17,301	**1,965**	**19,266**

The primary reasons for the acquisitions was to enable the Group to enhance the range of products that it could offer to customers, and to increase its outsourcing and solutions capabilities. The provisional fair value of the combined identifiable assets and liabilities of these acquisitions at their respective acquisition dates are set out below:

	Carrying value £'000	Fair value £'000
Tangible fixed assets	177	177
Intangible assets	-	10,576
Trade and other receivables	5,960	2,789
Cash and cash equivalents	(14)	(14)
Finance leases	(19)	(19)
Trade and other payables	(4,895)	(4,895)
Deferred tax liabilities	(3)	(1,703)
Net assets acquired	**1,206**	**6,911**
Consideration:		
- Ordinary shares of 1 pence (188,771,429 in total)		17,301
- Cash		1,965
Total consideration		**19,266**
Goodwill arising from acquisitions		**12,355**

Included in goodwill of £12.4m is £4.9m in respect of Compass Costs, £3.0m in respect of iSaaS and £4.5m in respect of R&R. This represents the value to the Group that can be driven from these underlying assets over the life of the acquired business and comprises the value of expected synergies arising from the acquisitions together with the workforce, which is not separately recognised. Acquired receivables are included within the trade and other receivables balances above and the carrying value of the R&R trade receivables has been aligned to the Group's revenue recognition policy as detailed in note 2 ("Revenue recognition: revenue earned by the Services Division"). The remaining trade and other receivables balances included in the table above are considered to be their fair value. Other than the alignment of the R&R receivables to reflect the Group's revenue recognition policy, no significant trade receivable provision was acquired, nor adjusted. Acquisition costs of £413,000 were incurred and included as exceptional costs within administrative expenses.

All shares issued as part of the above acquisitions are subject to lock in arrangements over three years, and have been discounted by the Group's cost of equity to factor in the time value of the consideration. The discount amount was £3,526,000. This is split across the above acquisitions as follows: Compass Costs £1,422,000, iSaaS £757,000 and R&R £1,347,000.

37. Discontinued operations and disposals

Disposal of businesses

By the balance sheet date the Group had entered into an exclusivity agreement with S&G with a view to concluding the disposal of its interests in its legal, claims management and health service businesses. The results of these businesses have therefore been disclosed separately on the face of the Consolidated Income Statement and related notes. Amounts in the Consolidated Statement of Financial Position relating to these businesses have been classified as held for sale.

On 29 May 2015, the Group disposed of these businesses for total consideration of £683m, consisting of cash consideration at completion of £637m, an incremental advance payment, and further contingent cash consideration payable in respect of the future settlement of its clients' noise induced hearing loss cases. Expenses and other costs of sale were £17m. The assets and liabilities of the entities classified as held for sale at 31 December 2014 were:

	£'000
Intangibles and goodwill	148,450
Property, plant and equipment	2,369
Trade and other receivables	110,125
Corporation tax	14,775
Cash and cash equivalents	27,955
Assets classified as held for sale	**303,674**
Overdraft	(14,541)
Borrowings	(27,412)
Trade and other payables	(138,822)
Finance leases	(5)
Deferred tax	(2,065)
Liabilities classified as held for sale	**(182,845)**
Net assets classified as held for sale	**120,829**

IFRS 5 requires the disposal group be measured at the lower of its carrying value and its fair value less costs to sell. Since the fair value less costs to sell is in excess of the carrying value, no fair value adjustments have been applied to determine the net assets above.

The overall result recognised in the Consolidated Income Statement for the operation disposed of was:

	2014 £'000	Restated 2013 £'000
Revenue	**220,540**	185,563
Expenses	**(357,740)**	(241,011)
Loss before tax of discontinued operation	**(137,200)**	(55,448)
Tax	**3,992**	(5,532)
Loss after tax of discontinued operation	**(133,208)**	(60,980)

Within the liabilities classified as held for sale is an invoice discounting facility which is repayable on demand of £14,541,000 (2013: £14,062,000) in relation to Quindell Business Process Services Limited ("QBPS"). In addition, at the year end, QBPS also had a revolving credit facility and a mortgage £6,914,000 (2013: £4,086,000). These aggregated borrowings of £21,455,000 (2013: £18,148,000) were secured by a fixed and floating charge over the assets of QBPS and its subsidiaries.

As at 31 December 2014, liabilities classified as held for sale also included a bank overdraft of £nil (2013: £772,000) and other secured loans totalling £14,000,000 (2013: £14,000,000) secured on the assets of the Company and its principal subsidiaries, other than the QBPS, R&R and Mobile Doctors sub-groups.

These liabilities included a further amount of £2,954,000 (2013: £11,197,000) advanced under a Group sales invoice discounting agreement at normal commercial rates. These amounts are secured by fixed and floating charges over all assets of Mobile Doctors Limited and MDL Medical Administration Limited and a cross guarantee and indemnity from Mobile Doctors Solutions Limited, Mobile Doctors Limited and MDL Medical Administration Limited. Liabilities classified as held for sale also includes other secured loans of £3,544,000 (2013: nil) in relation to React and Recover Medical Group Limited.

On disposal of these businesses all of the above borrowings were settled in full by the Group. As part of the disposal of these businesses, the Group retained a lease which is expected to result in an onerous lease commitment in 2015 of £3.0m.

The cash flows of the discontinued operation were as follows:

	2014 £'000	2013 £'000
Operating cash outflows	**(83,242)**	(60,605)
Investing cash flows	**(868)**	(459)
Financing cash flows	**80,335**	87,151
Total cash flows	**(3,775)**	26,087

38. Non-controlling interests

Material non-controlling interest

At 31 December 2014 the Group has the following material non-controlling interests ("NCI"):

360

Non-controlling interests hold a 40.2% voting rights and ownership interest in the entity which is incorporated in the UK, also being its principal place of business. The profit and accumulated interests are listed below:

	2014 £'000	2013 £'000
Loss allocated to NCI	**(39)**	(254)
Accumulated interest	**(2,829)**	(2,868)
Dividends paid to NCI	**-**	-

The results of 360 are as follows, the amounts are presented before inter-company eliminations.

Summarised Statement of Financial Position

	2014 £'000	2013 £'000
Current		
Total current assets	**1,914**	2,186
Total current liabilities	**(2,517)**	(1,449)
Non-current		
Total non-current assets	**2,749**	1,818
Total non-current liabilities	**(173)**	(482)
Net assets	**1,973**	**2,073**

Summarised Statement of Comprehensive Income

	2014 £'000	2013 £'000
Revenue	**2,789**	547
Pre-tax profit from continuing operations	**(101)**	(824)
Post-tax profit from continuing operations	**(101)**	(471)
Other comprehensive income	**-**	-
Total comprehensive income	**(101)**	(471)

Ingenie

As set out in note 36, there was an impairment of goodwill in relation to Ingenie. The non-controlling interest's share in this was £2,488,000. The non-controlling interest in Ingenie existed for the 16 day period from 4 February to 20 February during which time the non-controlling interests shared in the results of this business which were negligible for this period. The results of Ingenie for the year ended 31 December 2014 are set out in more detail in note 36.

Transactions with non-controlling interests

At the date of control of a subsidiary, the Company recognises the fair value of the element of the acquired entity which it has yet to purchase – note 36. The value of the non-controlling interest transacted with after this date in respect of Ingenie was £17,345,000, and in respect of Himex was £25,426,000, which together total £42,771,000 as presented in the Consolidated Statement of Changes in Equity. Consideration paid to non-controlling interests after the date of control is valued at fair value on the date the consideration is passed, with the resulting difference passing through the share consideration reserve in other reserves.

39. Related party transactions

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

Transactions with related businesses

During the year and the prior year, the Group entered into the following transactions with related parties who are not members of the Group or prior to the listed entities becoming subsidiaries, associates or businesses subsumed into the Group. Ferneham Health Limited was an associate of the Group for the entire period (see note 18):

	Revenue 2014 £'000	Revenue 2013 £'000
Ferneham Health Limited	**-**	79
	-	79

There were no costs paid by the Group in relation to activities between the parties and the Group during 2014 (2013: nil) financial year prior to the entities listed becoming subsidiaries, associates or businesses subsumed within the Group.

Transactions with previous Directors and key management

During 2014, the Group made sales of £70,000 (2013: £1,000) to, and purchased goods and services totalling £454,000 (2013: £77,000) and fixed assets of £nil (2013: £90,000) from Advanced Data Simulations Limited (which has subsequently changed its name to Quob Park Estate Limited ("QPE")), a company controlled by R Terry, a former Director of the Company. In the first quarter of 2015 the Group made sales of fixed assets for £134,000 to QPE. This included an amount of £85,000 for the sale of Quob Barn, the former head office of the Company. In November 2014, as part of the overall settlement with R Terry, the Group granted him a call option to purchase Quob Barn, which he exercised in December 2014. The Group paid £70,000 in dilapidations and repairs on exiting Quob Barn and impaired its carrying value by £85,000 to the value realised on sale. During 2014, the Group made payments of £10,000 to Quindell Directorial Services, the trading name of R Terry.

In the first quarter of 2015, the Group made payments of £20,000 to Quindell Directorial Services. From February 2015, QPE subleased an apartment from the Group in Ontario, Canada for CDN$ 66,000 per annum for a period to 20 August 2016 (being the head lease expiration date). There are no further commercial obligations between the Group and QPE or R Terry.

Bickleigh Ridge Limited, a company connected to S Scott, a former Director of the Company, invoiced the Group £254,000 (2013: £266,000) for consultancy services. At the end of the year, the balance owed by the Group in relation to these services was £23,655 (2013: £nil).

T Bowers invoiced the Group £23,750 (2013: £31,000) for consultancy services. At the end of the year, the balance owed by the Group in relation to these services was £nil (2013: £4,875).

In April 2014, a vendor of Compass Costs made a disposal of ordinary shares to certain Directors. The Company advanced the consideration for the ordinary shares to the vendor but did not immediately collect a corresponding payment from the Directors such that loans to the Directors were inadvertently created for a short period during the year as detailed below. All loans were settled by the year end:

Director	Amount	Cash received
L Moorse	£20,000	September 2014
R Cooling	£5,000	July 2014
R Bright	£5,000	July 2014
S Scott	£19,000	July 2014
A Bowers	£25,000	July 2014
R Terry	£95,000	December 2014

In April 2013, Ubiquity, a company part owned by J Cale, a non-executive Director of the Company until September 2013, acted for the vendors of Compass Costs in respect of its acquisition by the Company. Ubiquity was entitled to receive a fee from the vendors of Compass Costs equivalent to 6% of the consideration payable to those vendors in the form of ordinary shares ("Compass Fee Shares"). At this time, the Company advanced £500,000 in cash to Ubiquity, to be repaid out of the Compass Fee Shares ("Ubiquity Advance"). Following completion, Ubiquity and the vendors agreed that the Compass Fee Shares would be sold at Ubiquity's direction and that the proceeds of sale, less a 10% retention, would be paid to Ubiquity. The proceeds of the Compass Fee Shares were used to part-repay the Ubiquity Advance. A further remittance of £187,000 was subsequently made by Ubiquity to settle the Ubiquity Advance in full.

Disclosures in relation to current Directors and key management

During 2014, the Group purchased £650,000 (2013: £nil) of financial and investment advisory services from Codex Capital Partners (UK) Limited ("Codex"), a company of which D Currie is a director. In the first half of 2015, the Group purchased £2,800,000 of financial services from Codex in relation to the disposal of the PSD.

On 29 May 2015, the Group paid R Rose the amount of £1,000,000 in relation to consulting services provided in relation to the disposal of the PSD.

In 2015, the Group intends to pay M Williams the amount of £100,000 in relation to consulting services provided prior to his appointment as a Director.

2091205 Ontario Inc, a company owned 50% by T Scurry (Chief Executive, North America) and 50% by his wife, lease an apartment in Ontario, Canada to the Group for CDN$119,400 per annum, which is the subject of the sublet to QPE noted above.

Compensation of key management personnel

The remuneration of Directors, being the key management personnel, during the year was as follows:

	2014 £'000	2013 £'000
Short-term employee benefits*	**3,047**	2,267
Post-employment benefits	**61**	-
Termination benefits	**1,696**	-
Share-based payments	**2,250**	-
	7,054	2,267

* including in aggregate £406,000 (2013: £149,000) paid to close family members employed in positions by a subsidiary undertaking in respect of wages, salaries and social security costs.

Transactions with TMC

In reviewing a number of historic transactions, summarised further below, the Board has concluded, based on the evidence available to it, that TMC was at certain points in time a related party of the Group, though it never had a shareholding in TMC. In light of this, and because aspects of the Company's transactions with TMC require disclosure, the Company has provided below, for completeness, a description of its relationship with TMC from 2011 onwards. Although in some respects the nature of the relationship between TMC and the Group is unclear, the Board does not consider that the substance of the economic relationships between TMC and the Group for the years 2013 and 2014 indicate that it controlled TMC.

Background information and disclosures in relation to transactions with TMC are set out below:

Background

On 1 April 2011, QTL, prior to its admission to AIM via reverse acquisition of Mission Capital in July 2011, the Company acquired a beneficial interest in outsourced sales contracts operated by TMC largely relating to the sales of gas and electric contracts to primarily consumer households ("TMC Contracts Agreement"). Under the terms of the TMC Contracts Agreement, in addition to an initial 2 million QTL shares, TMC was entitled to receive up to 140 million new ordinary shares of 1 pence in the Company subject to achieving a target contribution of £1.2m ("Earnout Target").

Pursuant to the TMC Contracts Agreement certain non-trading revenues of TMC were capable of contributing to the achievement of the Earnout Target. In particular, the Company announced on 17 May 2011 that TMC had acquired Utility Switch Limited ("Utility Switch") for £600,000. The Company subsequently acquired Utility Switch from TMC. The acquisition of Utility Switch generated £200,000 of profits for TMC, which contributed towards the assessment of the Earnout Target.

On 2 December 2011, the Company announced that it has agreed an early settlement ("Settlement") of the Earnout Target and 140 million ordinary shares of 1 pence in the Company were allotted to TMC. At this time, certain contracts were disposed of by the Company to TMC for a stated consideration of £2.0m. The balance of TMC's contracts were transferred into a company, UK Sun Limited, which was acquired by the Company pursuant to the Settlement. The original accounting entries for this transaction have been dealt with in note 3. As at 31 December 2011, TMC held approximately 73.5 million ordinary shares of

1 pence in the Company and continued to operate as a business in its own right.

Further transactions

Additional transactions between TMC and / or its Director, M Ford, and the Group and other related parties of the Group took place during 2012, 2013 and 2014 and are of the following nature:

(a) Transactions in the Company's shares;

(b) Acquisition of BEUK;

(c) 360 Equity Swap (as defined in note 3); and

(d) Issue of shares in June 2014.

(a)Transactions in the Company's shares

During 2012, 2013 and 2014, TMC sold shares in the Company to, bought shares from, or lent shares to, various individuals who had a connection with the Company, for example by virtue of being vendors of businesses to the Group. Proceeds from the sale of shares by TMC were remitted to the Group and recognised as a debt owed to TMC. The Group made no pecuniary gain or loss on these transactions, and the dealings in the Company's shares were required to be announced in the usual way. These transactions would not ordinarily fall to be disclosed in the Company's Accounts, but have been described because (a) in some cases these the transactions gave rise to loans to Directors (see below); (b) in order to provide information in relation to the loan owed by the Group to TMC; and (c) for completeness.

Certain Directors made purchases of shares from, and sales of shares to, TMC on an arms length basis. The Group did not make a pecuniary gain or loss on these transactions and the involvement of TMC did not alter the requirements relating to announcements of these transactions by the directors concerned. However, the Company has identified that for a short period, loans from Quindell to a Director were inadvertently outstanding for a period, prior to the Director remitting payment for the shares, as follows:

- R Cooling: £60,000 was outstanding for the purchase of shares for the period from January 2014 - February 2014
- R Bright: £125,000 was outstanding for the purchase of shares for the period from December 2013 - February 2014

None of the loans had agreements hence there were no repayment terms attached nor any attributable interest rate.

As at 31 December 2013, the amount owed by the Group to TMC was £162,000. As at 31 December 2014, the amount owed by the Group to TMC was £2,225,000. This balance was partly settled by the payment of £1,006,000 in January 2015 and the balance of £1,219,000 remains outstanding. The Company has no ongoing business with TMC.

(b) Acquisition of BEUK

In July 2012, M Ford sold to Quindell 51% of a business which was subsequently renamed BEUK and certain other rights for £1.8m. In 2013, Quindell acquired the remaining 49% of BEUK in connection with the acquisition of QPS. Also in 2013, Quindell entered into an agreement with M Ford by which a warranty claim in respect of the acquisition of BEUK was settled, by the forgiveness of a balance of £1.6m owed.

(c) 360 Equity Swap

On 2 May 2013, as part of the transaction to acquire QPS, the Company acquired a further 40.8% of 360 (taking its interest in 360 to 60%). Pursuant to the terms of the acquisition of 360, the Company issued 23,428,572 shares of 1 pence (the "New Shares") at 360's direction to Yorkville. 360 already owned shares in the Company (the "Existing Shares") as a result of the Company's previous investment in 360 which were also transferred to Yorkville. The New Shares and the Existing Shares were together the subject of the 360 Equity Swap. The terms of the 360 Equity Swap provided for the sale each month by Yorkville of a specified number of the Company's shares and for a monthly payment by Yorkville to 360, the value of which was dependent on the Company's share price.

360 subsequently novated its interest in the 360 Equity Swap to TMC for a total of £4.0m to be paid by TMC to 360 in equal instalments over a 24 month period ("Swap Payments"). Notwithstanding the fact that the Company was not a party to, or a beneficiary of, the 360 Equity Swap, inflows of cash from the 360 Equity Swap which were due to TMC were paid by Yorkville through a Group bank account and used to fund the Swap Payments to 360 on a monthly basis. Over the life of the 360 Equity Swap, TMC realised a gain of £2.3m but no gain or loss was made by the Group as, although the Swap Payments were remitted to the Group, it recognised a corresponding increase in the debt it owed to TMC. The gain has, however, subsequently been transferred to the Group as part of a wider settlement of its arrangements with TMC and M Ford. As disclosed in note 3, the Board has also reassessed the underlying commercial arrangements and concluded that the shares should be treated as held in treasury.

(d) Issue of shares in June 2014

On 18 June 2014, the Company issued 16,899,321 ordinary shares of 1 pence to TMC. The shares remain unpaid as at the statement of financial position date and the Company has yet to call upon TMC for payment. It appears that some form of trust or related arrangement was intended, pursuant to which TMC would hold the shares on behalf of the Company, or possibly on behalf of certain vendors of companies to the Company; although it is not clear that this trust arrangement was documented or effective. The Company holds a corresponding share certificate for 1,126,621 ordinary shares of 15 pence in safekeeping. The shares have therefore been presented in shares treated as held in treasury within other reserves. It is the intention of the Group to seek either repayment of the unpaid share capital amounting to £169,000 from TMC or apply for 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.

Transactions with SMI

On 22 December 2014, the Group entered into an agreement with SMI and others which included, inter alia, the right for the Group to elect, on or before 31 January 2015, for SMI to settle historic research and development costs, more details are provided in note 40. SMI was an investment of the Group during the period.

On 1 January 2014, the Group held a 19% investment in SMI with a carrying value of £1,500,000. The Group provided services of £918,000 during the year (2013: £4,260,000) and made purchases on behalf of SMI of £4,960,000 (2013: £3,427,000). At 22 December 2014, the Group had a trade receivable of £9,209,000 due from SMI, which was settled on that date through an option for the Group to acquire a further 14% in SMI to take its stake to 33%, whereupon SMI was reclassified as an associate company. As noted in note 19, the opening investment and trade receivable have been impaired to £nil.

40. Post balance sheet events

Disposal of businesses

On 29 May 2015, the Group disposed of the PSD for an initial cash consideration of £637.0m and further contingent cash consideration payable in respect of the future settlement of its clients' NIHL cases. Further details are provided in note 37.

Issue of ordinary shares

Reason for issue	Date of issue (2015)	Issue price Pence	Shares issued Number
Acquisitions:			
BE Insulated (UK) Limited and Carbon Reduction Company (UK) Limited	5 March	90.50	3,666,667
Navseeker (minority)	13 March	99.50	832,946
Iter8 (tranche relating to its acquisition in 2013)	19 May	161.99	4,012,694
			8,512,307

On 5 January 2015, the Group disposed of part of its shareholding representing 10% of the share capital of 360. On 22 May 2015, the Group disposed of its remaining shareholding representing 49% of the share capital of 360 and 100% of the share capital of 360Viewmax Limited for initial consideration of £4.2m and deferred consideration of £0.8m in cash to be received in August 2016. The carrying value of the investment at 31 December 2014 was written down to the realisable value.

On 12 January 2015, the Company granted a total of 11,625,000 share options to subscribe for new ordinary shares subject to the Rules of the 2012 Quindell Plc Unapproved Option Scheme ("CSOP") with an exercise price of 68.65p per new ordinary share. These options vested upon completion of the disposal of the PSD.

On the same day, the Company also granted 19,640,115 share options to subscribe for new ordinary shares (subject to the Rules of the CSOP) to Richard Rose, who later was appointed Non-executive Chairman on 29 May 2015, and to Jim Sutcliffe who ceased to be employed by the Company on 30 June 2015. These share options have now been surrendered.

On 4 March 2015, the Group disposed of its minority investment in NARS for net proceeds after selling costs of approximately £7.1m, equivalent to the written down value at 31 December 2014 (see note 18).

On 5 March 2015, BEUK acquired the 50% of the entire issued share capital of BE Insulated (UK) Limited ("BEI") not already owned by the Group, and the entire issued share capital of Carbon Reduction Company (UK) Limited ("CRC"), for consideration of 3,666,667 ordinary shares of 15 pence plus up to a further 200,000 ordinary shares of 15 pence by way of contingent consideration.

The total consideration payable assuming the contingent consideration is payable had a fair value of £3.5m, and the provisional fair value of the assets and liabilities of the businesses was net liabilities of £0.1m, generating a provisional goodwill value of £3.4m. The goodwill represents the value to the Group that can be driven from these underlying assets over the life of the acquired business and comprises the value of expected synergies arising from the acquisition when integrated into the Group's other property businesses, together with the workforce, which is not separately recognised. For the year ended 31 December 2014 the combined businesses of BEI and CRC generated sales of £6.2m and profit after tax of £0.5m and these results are not included in the Group's consolidated financial statements for the year ended 31 December 2014. The initial acquisition accounting is incomplete as the strategy for integrating the property businesses into a single operating unit is on-going. The contractual cash flows for receivables of £0.6m are equivalent to their provisional carrying value.

On 5 March 2015, the Group announced the settlement of litigation in respect of Navseeker, subject to the approval of the Court of Chancery of the State of Delaware USA (“Delaware Court”). Following Delaware Court approval, the Group will acquire the shares in Navseeker held by the Plaintiffs (which represent 11.67% of Navseeker) for a consideration of 684,770 new ordinary shares of 15 pence and a cash payment of US$1.0m. On 13 March 2015, the Group issued 832,946 new ordinary shares of 15 pence in respect of the acquisition of the remaining 8.33% of Navseeker.

On 19 May 2015, the Group issued 4,012,694 new ordinary shares of 15 pence, being the remainder of the deferred equity consideration payable to the sellers in respect of the acquisition of iter8, which was concluded and announced on 18 April 2013.

On 22 December 2014, the Company entered into an agreement with SMI and others which included, inter alia, the right for the Company to elect, on or before 31 January 2015, for SMI to settle historic research and development costs (undertaken on behalf of SMI and incurred by the Group since 2012) by issuing shares such that the Company would receive SMI’s shares to bring the Company’s total holding to not less than 33% of SMI’s issued shares (”SMI Option”). On 31 January 2015, the Group exercised the SMI Option described above. At 31 December 2014, the carrying value of the investment has been written down to nil.

On 23 June 2015, the FCA informed the Group that it had commenced an investigation under the Financial Services and Markets Act 2000 in relation to public statements made regarding the financial accounts of the Company during 2013 and 2014. The Group will co-operate fully with the investigation.

41. Dividends

During the year the Group paid dividends of 1.5 pence per share (2013: nil), totalling £6,180,000 (2013: nil).

Company Statement of Financial Position

	Note	2014 £'000	Restated 2013 £'000	Restated 2012 £'000
Non-Current assets				
Intangible assets	44	**2,241**	4,577	-
Property, plant and equipment	45	**1,580**	1,565	1,303
Investments in subsidiaries	46	**121,751**	268,458	154,411
Interests in associates	46	**7,169**	35,463	-
Investments	46	**1,621**	3,188	7,142
		134,362	313,251	162,856
Current assets				
Trade and other receivables	47	**116,544**	167,449	46,591
Corporation tax		**3,322**	2,171	-
Cash and cash equivalents	48	**29,740**	119,908	28,495
		149,606	289,528	75,086
Assets of disposal group classified as held for sale	56	**371,211**	-	-
Total current assets		**520,817**	289,528	75,086
Total assets		**655,179**	602,779	237,942
Current liabilities				
Others loans	49	**(2,000)**	(2,000)	-
Trade and other payables	49	**(79,101)**	(26,136)	(25,743)
Provisions	49	**(23,016)**	(4,341)	(1,393)
		(104,117)	(32,477)	(27,136)
Liabilities of disposal group classified as held for sale	56	**(21,653)**	-	-
Total current liabilities		**(125,770)**	(32,477)	(27,136)
Non-current liabilities				
Deferred tax liabilities	49	**(9)**	(7)	(7)
		(9)	(7)	(7)
Total liabilities		**(125,779)**	(32,484)	(27,143)
Net assets		**529,400**	570,295	210,799
Equity				
Share capital	51	**65,467**	56,700	36,216
Share premium account	52	**430,070**	322,905	103,523
Merger reserve	52	**189,100**	124,699	74,318
Shares to be issued	52	**30,744**	55,505	28,635
Equity reserve	52	**54**	54	54
Share-based payments reserve	52	**20,713**	6,153	(1,242)
Shares treated as held in treasury	52	**(169)**	(2,852)	(22,000)
Retained earnings	52	**(206,579)**	7,131	(8,705)
Total equity		**529,400**	570,295	210,799

The Financial Statements of the Company, registered number 05542221 on pages 112 to 132 were approved by the Directors on 4 August 2015 and signed on its behalf by:

Mark P Williams
Director

Richard Rose
Director

Company Cash Flow Statement

for the year ended 31 December 2014

	Note	2014 £'000	Restated 2013 £'000
Cash flows from operating activities			
Cash used by operations before exceptional costs, net finance expense and tax	54	**(34,381)**	(56,281)
Cash outflow from exceptional costs		**(2,108)**	(2,051)
Cash used by operations before net finance income and tax		**(36,489)**	(58,332)
Net finance income received		**293**	745
Corporation tax paid		**(24,215)**	(4,423)
Net cash used in operating activities		**(60,411)**	(62,010)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(140)**	(371)
Purchase of intangible fixed assets		**(45)**	(5,125)
Advance receipt in respect of sale of PSD		**8,047**	-
Acquisition of subsidiaries		**(32,142)**	(16,076)
Net movement on loans with group undertakings		**3,395**	(32,505)
Deposits held in escrow		**(3,000)**	-
Dividends paid		**(6,180)**	-
Dividends received from associates		**208**	109
Net cash used in investing activities		**(29,857)**	(53,968)
Cash flows from financing activities			
Issue of share capital		**100**	210,998
Cost of issuing share capital		**-**	(10,592)
Additional secured loans		**-**	2,000
Sale of shares treated as held in treasury		**-**	4,985
Net cash generated from financing activities		**100**	207,391
Net (decrease)/increase in cash and cash equivalents		**(90,168)**	91,413
Cash and cash equivalents at the beginning of the year		**119,908**	28,495
Cash and cash equivalents at the end of the year	48	**29,740**	119,908

Company Statement of Changes in Equity

for the year ended 31 December 2014

	Share capital £'000	Share premium account £'000	Merger reserve and reverse acquisition reserve £'000	Shares to be issued £'000	Other reserves £'000	Retained earnings £'000	Total
At 1 January 2013 restated	36,216	103,523	74,318	28,635	(23,188)	(8,705)	210,799
Loss for the year restated	-	-	-	-	-	(8,763)	(8,763)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	(8,763)	(8,763)
Issue of share capital	20,484	226,744	50,381	(28,635)	-	-	268,974
Directly attributable costs incurred in issuing of equity	-	(10,593)	-	-	-	-	(10,593)
Shares treated as held in treasury	-	-	-	-	(4,889)	-	(4,889)
Disposal of shares treated as held in treasury	-	-			24,037	(10,279)	13,758
Shares to be issued	-	-	-	55,505	-	-	55,505
Transfer of prior year gain on sale of shares held in treasury	-	3,231	-	-	-	(3,231)	-
Share-based payments	-	-	-	-	7,395	-	7,395
Dividends Received	-	-	-	-	-	38,109	38,109
Total transactions with owners, recognised directly in equity	20,484	219,382	50,381	26,870	26,543	24,599	368,259
At 31 December 2013 restated	56,700	322,905	124,699	55,505	3,355	7,131	570,295
At 1 January 2014	**56,700**	**322,905**	**124,699**	**55,505**	**3,355**	**7,131**	**570,295**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(231,736)**	**(231,736)**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(231,736)**	**(231,736)**
Issue of share capital	**8,767**	**105,461**	**64,401**	**(73,802)**	**(2,826)**	**-**	**102,001**
Shares to be issued	**-**	**-**	**-**	**73,118**	**-**	**-**	**73,118**
Shares treated as held in treasury	**-**	**-**	**-**	**-**	**(169)**	**-**	**(169)**
Shares no longer issuable	**-**	**-**	**-**	**(24,077)**	**-**	**24,077**	**-**
Disposal of shares treated as held in treasury	**-**	**1,704**	**-**	**-**	**2,852**	**(79)**	**4,477**
Share-based payments	**-**	**-**	**-**	**-**	**17,386**	**-**	**17,386**
Dividends Received	**-**	**-**	**-**	**-**	**-**	**208**	**208**
Dividends paid (note 62)	**-**	**-**	**-**	**-**	**-**	**(6,180)**	**(6,180)**
Total transactions with owners, recognised directly in equity	**8,767**	**107,165**	**64,401**	**(24,761)**	**17,243**	**18,026**	**190,841**
At 31 December 2014	**65,467**	**430,070**	**189,100**	**30,744**	**20,598**	**(206,579)**	**529,400**

42. Impact of correction of accounting error: Statement of Financial Position

Accounting error

As disclosed in note 3, the Group identified certain accounting errors which have been adjusted for as a prior period restatement in the consolidated financial statements. Certain errors relating to PYA B, PYA C and PYA D (shown within note 3) also directly impact the Company's own financial statements and these have been restated accordingly.

A further adjustment to the prior year figures has been made in respect of the capitalisation of part of an intercompany loan position with a subsidiary within the discontinued business. This has had the effect of increasing cost of investments and reducing amounts due from subsidiary undertakings by £4.9m.

The impact of these restatements on the Company's Statement of Financial Position are shown below. There was no impact on the Company's Statement of Cash Flows.

42a. Impact of correction of accounting error: Statement of Financial Position (2013)

	2013 £'000	PYA B £'000	PYA C £'000	PYA D £'000	Other £'000	As restated 2013 £'000
Non-current assets						
Intangible assets	12,337	-	-	(7,760)	-	4,577
Property, plant and equipment	1,565	-	-	-	-	1,565
Investments in subsidiaries	271,130	1,497	(9,049)	-	4,880	268,458
Interests in associates	35,463	-	-	-	-	35,463
Investments	3,188	-	-	-	-	3,188
	323,683	1,497	(9,049)	(7,760)	4,880	313,251
Current assets						
Trade and other receivables	170,543	-	(6,214)	8,000	(4,880)	167,449
Corporation tax	1,644	-	527	-	-	2,171
Cash and cash equivalents	119,908	-	-	-	-	119,908
	292,095	-	(5,687)	8,000	(4,880)	289,528
Total assets	**615,778**	**1,497**	**(14,736)**	**240**	**-**	**602,779**
Current liabilities						
Other loans	(2,000)	-	-	-	-	(2,000)
Trade and other payables	(26,136)	-	-	-	-	(26,136)
Provisions	-	-	(4,341)	-	-	(4,341)
	(28,136)	-	(4,341)	-	-	(32,477)
Non-current liabilities						
Deferred tax liabilities	(7)	-	-	-	-	(7)
Total liabilities	(7)	-	-	-	-	(7)
Net assets	587,635	1,497	(19,077)	240	-	570,295
Equity						
Share capital	56,700	-	-	-	-	56,700
Share premium account	321,408	1,497	-	-	-	322,905
Merger reserve	124,699	-	-	-	-	124,699
Shares to be issued	54,151	-	1,354	-	-	55,505
Equity reserve	54	-	-	-	-	54
Share-based payments reserve	6,153	-	-	-	-	6,153
Shares treated as held in treasury	-	-	(2,852)	-	-	(2,852)
Retained earnings	24,470	-	(17,579)	240	-	7,131
Total equity	587,635	1,497	(19,077)	240	-	570,295

42a. Impact of correction of accounting error: Statement of Financial Position (2012)

	2012 £'000	PYA B £'000	PYA C £'000	As restated 2012 £'000
Non-current assets				
Property, plant and equipment	1,303	-	-	1,303
Investments in subsidiaries	161,012	1,497	(8,098)	154,411
Interests in associates	-	-	-	-
Investments	7,142	-	-	7,142
	169,457	1,497	(8,098)	162,856
Current assets				
Trade and other receivables	61,127	-	(14,536)	46,591
Cash and cash equivalents	28,495	-	-	28,495
	89,622	-	(14,536)	75,086
Total assets	**259,079**	**1,497**	**(22,634)**	**237,942**
Current liabilities				
Trade and other payables	(19,724)	-	(6,019)	(25,743)
Provisions	-	-	(1,393)	(1,393)
	(19,724)	-	(7,412)	(27,136)
Non-current liabilities				
Deferred taxation	(7)	-	-	(7)
	(7)	-	-	(7)
Total liabilities	(19,731)	-	(7,412)	(27,143)
Net assets	239,348	1,497	(30,046)	210,799
Equity				
Share capital	36,216	-	-	36,216
Share premium account	102,026	1,497	-	103,523
Merger reserve	74,318	-	-	74,318
Shares to be issued	30,178	-	(1,543)	28,635
Equity reserve	54	-	-	54
Share-based payments reserve	(1,242)	-	-	(1,242)
Shares treated as held in treasury	-	-	(22,000)	(22,000)
Retained earnings	(2,202)	-	(6,503)	(8,705)
Total equity	239,348	1,497	(30,046)	210,799

43. Accounting Policies

Statement of accounting policies

A summary of the principal accounting policies are set out below:

Basis of accounting

These Financial Statements have been prepared under the historical cost convention and in accordance with applicable International Financial Reporting Standards as adopted by the EU. A summary of the significant Company accounting policies is set out below. The Company has reviewed its accounting policies in accordance with IAS 8 and determined that they are appropriate for the Company and have been consistently applied.

As detailed in note 2, the Directors continue to adopt the Going Concern basis of accounting in the preparation of the Financial Statements.

The basis of preparation of these Company Financial Statements includes a limitation of scope in the information available to the Directors and Auditors. For further details refer to notes 2 and 3.

Income Statement and Statement of Comprehensive Income

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

First time adoption of IFRS

The Company's financial statements for the year ended 31 December 2014 will be the first annual financial statements that comply with IFRS. The Company has applied IFRS 1 in preparing these financial statements. The Company's transition date is 1 January 2013. The Company prepared its opening IFRS Statement of Financial Position at 1 January 2013. The reporting date of the financial statements is 31 December 2014.

In preparing these financial statements in accordance with IFRS 1, the Company has not applied the mandatory exemptions nor optional exemptions from full retrospective application of IFRS because there were no significant differences from management's application of UK GAAP.

The transition from UK GAAP to IFRS had no significant impact on equity, Comprehensive Income, the Statement of Financial Position or the Cash Flow Statement. Since there are no differences the Statement of Financial Position at 31 December 2012 has not been restated in this respect.

Certain amounts in the Statement of Financial Position have been grouped together for clarity, with their breakdown being shown in the notes to the annual accounts.

The distinction presented in the Statement of Financial Position between current and non-current entries has been made on the basis of whether the assets and liabilities fall due within one year or more.

Reconciliation of equity reported under UK GAAP to equity under IFRS

As shown in the table below the effect of adopting IFRS has had no impact upon the equity that had previously been reported under UK GAAP, at 31 December 2013 and at the date of transition.

	2014 **£'000**	Restated 2013 £'000
Total equity at 1 January as previously reported	**570,295**	210,799
Total equity at 1 January in accordance with IFRS	**570,295**	210,799

As a result of adopting IFRS, a Statement of Financial Position as at 31 December 2012 has been included in these financial statements.

Reconciliation of total recognised loss reported under UK GAAP to total comprehensive expense reported under IFRS

As disclosed in the table below adopting IFRS has had no impact upon on the Statement of Comprehensive Income that has previously been reported under UK GAAP, for the year ended 31 December 2013.

	Restated 2013 £'000
Total recognised loss reported under UK GAAP	(8,263)
Total comprehensive expense in accordance with IFRS	**(8,263)**

Assets and disposal groups held for sale

Assets are classified as held for sale if their carrying amount will be recovered by sale rather than by continuing use in the business.

Where a group of assets and their directly associated liabilities are to be disposed of in a single transaction, such disposal groups are also classified as held for sale. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition, and management must be committed to and have initiated a plan to sell the asset or disposal group which, when initiated, was expected to result in a completed sale within 12 months.

Assets that are classified as held for sale are not depreciated.

Assets or disposal groups that are classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Discounting of cost of acquisition monies

In accordance with IFRS 3 where consideration is locked in to future conditions and requirements, the value of such consideration is discounted by the Group's cost of equity for the time value of money. The impact of this adjustment on the Company Statement of Financial Position is £1.1m (2013: £8.4m). The financial statement line items impacted are a reduction in investments and a corresponding reduction in share premium for the amounts noted.

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:

Data and brands	between 2-10 years
Customer contracts:	over the anticipated life of contracts

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

Impairment of tangible fixed assets and intangible assets excluding goodwill

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 discounted at a pre-tax discount rate based on the Group's cost of capital adjusted to reflect current market assessment of time value of money and the risk specific to the asset or CGU. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense in the Income Statement.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. Depreciation is not provided on freehold land. On other assets, depreciation is calculated to write off the cost less estimated residual values over their estimated useful lives as follows:

Freehold buildings	2%-5% per annum straight line

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

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

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 and are stated at their fair value.

Cash and cash equivalents

Cash in the Statement of Financial Position comprises cash at bank 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.

Taxation including deferred tax

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

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

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

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

Share capital

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

Share-based payments

The Company has accounted for share-based payments in respect of the RAC warrants, the options and the post vendor combination remuneration on which further details are provided in notes 2, 3 and 28 as well as the PYA section above.

44. Intangible assets

	Customer contracts, data, brands and relationships £'000
Cost	
At 1 January 2013	-
Additions as restated	5,125
At 1 January 2014 as restated	**5,125**
Additions	**45**
At 31 December 2014	**5,170**
Amortisation	
At 1 January 2013	-
Charge for the year	548
At 1 January 2014	**548**
Charge for the year	**838**
Impairments	**1,543**
At 31 December 2014	**2,929**
Net book value	
31 December 2014	**2,241**
31 December 2013	**4,577**

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

The Company has conducted a review of all intangible assets at the balance sheet date and identified assets previously valued at £1,543,000 (2013: £nil) which are or will become obsolete, either because they are unused and are expected to remain so or will be replaced by other similar and existing assets held by the Company at the balance sheet date.

For further information please see note 15.

There were no material commitments for the acquisition of property, plant or equipment at either 31 December 2014 or 31 December 2013.

45. Property, plant and equipment

	Freehold land and buildings £'000
Cost	
At 1 January 2013	1,303
Additions	372
At 1 January 2014	**1,675**
Additions	**140**
At 31 December 2014	**1,815**
Depreciation	
At 1 January 2013	-
Charge for the year	110
At 1 January 2014	110
Charge for the year	**125**
At 31 December 2014	**235**
Net book value	
31 December 2014	**1,580**
31 December 2013	**1,565**

There were no material commitments for the acquisition of property, plant or equipment at either 31 December 2014 or 31 December 2013.

46. Investments

	Shares in investments £'000	Shares in associates £'000	Shares in group undertakings £'000	Total £'000
Cost				
At 1 January 2013 restated	7,142	1,206	156,077	164,425
Additions	1,687	32,176	112,106	145,969
Disposals	-	-	(1,666)	(1,666)
Reclassifications	(5,641)	3,287	2,354	-
At 1 January 2014 restated	**3,188**	**36,669**	**268,871**	**308,728**
Additions	**-**	**500**	**184,384**	**184,884**
Reclassifications	**-**	**(21,698)**	**21,698**	**-**
Transfer to assets of disposal group classified as held for sale	**-**	**-**	**(217,495)**	**(217,495)**
At 31 December 2014	**3,188**	**15,471**	**257,458**	**276,117**
Impairment				
At 1 January 2013 restated	-	1,206	1,666	2,872
Charge for the year	-	-	413	413
Disposals	-	-	(1,666)	(1,666)
At 1 January 2014	**-**	**1,206**	**413**	**1,619**
Charge for the year	**1,567**	**7,096**	**135,294**	**143,957**
At 31 December 2014	**1,567**	**8,302**	**135,707**	**145,576**
Net book value				
31 December 2014	**1,621**	**7,169**	**121,751**	**130,541**
31 December 2013 restated	3,188	35,463	268,458	307,109

QTL's investment had a carrying value of £40.7m. This was impaired during 2014 by £40.7m to a carrying value of £nil as at 31 December 2014. The future cash flows of QTL are expected to be £nil.

The investment in Himex had a carrying value of £90.8m. This was impaired during 2014 by £11.4m to a carrying value as at 31 December 2014 of £79.4m. See note 16 for further details.

The investment in Ingenie had a carrying value of £49.9m. This was impaired during 2014 by £32.4m to a carrying value of £17.5m as at 31 December 2014. See note 16 for further details.

The investment in CCS had a carrying value of £30.6m. This was impaired during 2014 by £30.6m to a carrying value of £nil as at 31 December 2014. CCS was a joint investment with RAC during 2014. On 1 September 2014 it was announced that it had been agreed to terminate the joint investment and as a result the future cash flows for CCS were expected to be £nil.

The investment in QPS had a carrying value of £23.1m. This was impaired during 2014 by £23.1m to a carrying value of £nil as at 31 December 2014. This impairment is to reflect the estimates of future levels of profits which are attainable in energy related schemes as referred to in note 16.

The investment in NARS had a carrying value of £9.5m. This was impaired during 2014 by £2.4m to a carrying value of £7.1m as at 31 December 2014. The carrying value as at 31 December 2014 represents the realisable value. See note 18 for further details.

The investment in Business Advisory Service Limited had a carrying value of £8.2m. This was impaired by £0.7m to a carrying value of £7.5m as at 31 December 2014. The impairment relates to the adverse publicity surrounding the group during 2014 which affected the Services Division - UK, as referred to in note 16.

The investment in SMI had a carrying value of £1.5m. This was impaired during 2014 by £1.5m to a carrying value of £nil as at 31 December 2014. See note 19 for further details.

None of the remaining impairments in investments were individually material. They had a carrying value of £5.2m and were impaired during 2014 by £1.2m to a carrying value of £4.0m as at 31 December 2014. This carrying value represents the value of the future cash flows expected from these businesses. Fair value is calculated as either anticipated sales proceeds less cost to sell or value in use calculated by discounting future cash flows using an appropriate discount rate. These cash flows are based on management forecasts of those businesses.

The following information relates to the related undertakings of the Company. Unless otherwise stated, all holdings are 100% and the principal activity of the undertaking is the provision of software, consulting and other services, or technology enabled business process outsourcing services.

Name of investment	Country of incorporation	Nature of holding
360Viewmax Limited ~	UK	Direct
360Capital Limited (60%) ~	UK	Indirect
360Corporate Limited ~	UK	Indirect
360GlobalNet Limited (49.8%) ~	UK	Direct
360Intellimation Limited ~	UK	Indirect
360Siteview Ltd ~	UK	Indirect
360Skylens Limited (80%) ~	UK	Indirect
360Spatial Limited ~	UK	Indirect
ACH Management Services Limited	UK	Direct
BE Insulated (UK) Limited (50%)	UK	Indirect
BestPriceHotDeals Limited (50%)	UK	Indirect
Blackspot Interactive Limited	UK	Indirect
Blackspot Limited	UK	Indirect
Brand Extension (UK) Limited	UK	Indirect
Business Advisory Service Limited	UK	Indirect
Connected Car Solutions Inc	Canada	Indirect
Connected Car Solutions Limited	UK	Direct
eeGeo Inc. (15.8%)	USA	Indirect
Enzyme International Limited	UK	Indirect
Ferneham Health Limited (49%)	UK	Direct
Glanty Limited (19.99%)	UK	Direct
Himex Inc	USA	Indirect
Himex Limited (99.9%)	UK	Direct
Infocap Technologies Limited ~	UK	Indirect
Ingenie (Canada) Inc	Canada	Indirect
Ingenie (UK) Limited	UK	Indirect
Ingenie (US) Limited	USA	Indirect
Ingenie Limited	UK	Direct
Ingenie Services Limited	UK	Indirect
Ingenie Software Limited	UK	Indirect
Ingleby (1653) Limited	UK	Indirect
Intrinsic Holding Company Inc	Canada	Indirect
Intrinsync Insurance Solutions Inc	Canada	Indirect
Iter8 (USA) Inc	USA	Indirect
Iter8 Consulting Services Inc	Canada	Indirect
LocX Inc	USA	Indirect
Maine Finance Limited	UK	Indirect
Metaskil Group Limited (99.8%)	UK	Direct
Mileage Management Limited	UK	Indirect
Morpheus Holdings Limited	UK	Indirect
Nationwide Accident Repair Services plc (25.3%) ~	UK	Direct
Navseeker Inc (80%)	USA	Indirect

Name of investment	Country of incorporation	Nature of holding
Open Square Limited	UK	Indirect
Overland Associates Limited	UK	Direct
Parkslide (51%) ~	Australia	Indirect
Physiotherapy Rehabilitation Services Limited	UK	Indirect
PT Healthcare Solutions Corp (49.9%)	Canada	Indirect
QPS Energy Limited	UK	Indirect
QPS Scaffolding Limited	UK	Indirect
QPS South West Limited	UK	Indirect
QSM (UK) Limited (66.6%)	UK	Indirect
Quindell (Jersey) Limited	Jersey	Direct
Quindell Brand Additions Limited	UK	Direct
Quindell Business Process Outsourcing (Pty) Limited	South Africa	Indirect
Quindell Business Process Services Limited (98.4%)	UK	Direct
Quindell Champion and Challenger Methods Limited	UK	Direct
Quindell Enterprise Solutions Limited	UK	Indirect
Quindell Enterprise Technology Solutions Limited	UK	Direct
Quindell Financial Services Limited	UK	Indirect
Quindell Motor Services Limited	UK	Direct
Quindell Portfolio (Canada) Inc	Canada	Direct
Quindell Property Services Limited	UK	Direct
Quindell Resourcing Limited	UK	Indirect
Quindell SaaS Solutions Inc	Canada	Direct
Quindell Services Inc	Canada	Indirect
Quindell Solutions Inc	Canada	Indirect
Quindell Solutions Limited	UK	Indirect
Quindell Technologies Limited	UK	Direct
Quindell Telematics Limited	UK	Direct
Quintica Ghana Limited	Ghana	Indirect
Quintica Group FZE	Dubai	Indirect
Quintica Gulf IT Consulting LLC	Abu Dhabi	Indirect
Quintica Holdings Limited	UK	Direct
Quintica International Limited	Mauritius	Indirect
Quintica Kenya Limited	Kenya	Indirect
Quintica SA (PTY) Limited	South Africa	Indirect
Quintica Uganda Limited	Uganda	Indirect
Quintica West Africa Nigeria Limited	Nigeria	Indirect
Retrieval Technologies Limited (51%) ~	UK	Indirect
Road Angel Group Limited	UK	Indirect
Road Angel Pogo Limited	UK	Indirect
RoadPilot Limited	UK	Indirect
SH Auto Services Limited	UK	Indirect
Skillwise Consulting Limited	UK	Indirect
SMI Technologies Limited (19%)	UK	Direct

Name of investment	Country of incorporation	Nature of holding
SMI Telecoms Distribution Limited	UK	Indirect
SMI Telecoms Distribution LLC	USA	Indirect
SMI Telecoms Limited	UK	Indirect
SMI Telecoms LLC	USA	Indirect
Sunlite Solutions Limited	UK	Indirect
SWB Consulting Limited	UK	Indirect
UK Sun Limited	UK	Indirect
Utility Supplier Services Limited	UK	Indirect
Utility Switch Limited	UK	Indirect
Withyouin5.com Limited	UK	Indirect

~ denotes sold after the year end – see note 40

Investments forming part of assets of disposal group classified as held for sale		
Abstract Legal Holdings Limited	UK	Direct
Access to Compensation Limited	UK	Indirect
Accident Advice (IA) Limited	UK	Indirect
Accident Advice Helpline Direct Limited	UK	Indirect
Accident Advice Helpline Limited	UK	Indirect
Accident Advice Insurance Management Group Limited	UK	Indirect
Accident and Equity Limited	UK	Indirect
ACH Access Legal Limited	UK	Indirect
ACH Broker Services Limited	UK	Indirect
ACH Claims Limited	UK	Indirect
ACH Group Management Limited	UK	Indirect
ACH Media Solutions Limited	UK	Indirect
ACH Medical Limited	UK	Indirect
ACH Quote Me Cover Limited	UK	Indirect
Auto Indemnity UK Limited	UK	Indirect
Cab Claims Limited	UK	Indirect
Centurion Uninsured Loss Recovery Services Limited	UK	Indirect
Claim 103 Limited	UK	Indirect
Claim 4 Limited	UK	Indirect
Colegate Accident Assistance Limited	UK	Indirect
Colegate Vehicle Hire Limited	UK	Indirect
Compass Costs Consultants Limited	UK	Direct
Crusader Assistance Group Holdings Limited	UK	Direct
Crusader Connect Limited	UK	Indirect
Crusader Group Holdings Limited	UK	Indirect
Crusader Uninsured Loss Recovery Service Limited	UK	Indirect
Equimedical Reports Limited	UK	Indirect
Equirehab Limited	UK	Indirect
Fast Track PPI Limited	UK	Indirect
Intelligent Claims Management Limited	UK	Direct
iSaaS Technology Limited	UK	Direct

Name of investment	Country of incorporation	Nature of holding
Legal Facilities Management & Services Limited	UK	Indirect
Liberty Protect Limited	UK	Indirect
MDL Medical Administration Limited	UK	Indirect
Medicalaw Limited	UK	Indirect
Medici Legal Limited	UK	Indirect
Mobile Doctors Group Limited	UK	Direct
Mobile Doctors Limited	UK	Indirect
Mobile Doctors Solutions Limited	UK	Indirect
Overland Health Limited	Malta	Indirect
Overland Legal Limited (75%)	Malta	Indirect
Overland Limited	Malta	Direct
Overland Malta (Trading) Limited	Malta	Indirect
Property Home Buyers Limited (60%)	Malta	Indirect
Quindell ACH Limited	UK	Direct
Quindell Business Process Services (UK) Limited	UK	Indirect
Quindell Legal Services Limited	UK	Direct
React and Recover Medical Group Limited	UK	Direct
React Medical Management Limited	UK	Indirect
React Medical Reporting Limited	UK	Indirect
Recover Healthcare Limited	UK	Indirect
Sentinel Alliance Limited	UK	Indirect

The above investments are treated as consolidated subsidiaries of the Group with the exception of those set out below.

The following information relates to investments of the Company treated as associates within the Group accounts (see note 18):

Name of investment	Country of incorporation	Percentage holding	Nature of holding
Ferneham Health Limited	UK	49.0%	Direct
Nationwide Accident Repair Services Plc	UK	25.3%	Direct
SMI Technologies Limited	UK	33.0%	Direct

The following information relates to investments of the Company also treated as investments within the Group accounts (see note 19):

Name of investment	Country of incorporation	Percentage holding	Nature of holding
eeGeo Inc.	USA	15.8%	Indirect
360Viewmax Limited	UK	100.0%	Direct

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

47. Trade and other Receivables

	2014 £'000	2013 £'000
Trade debtors	**2,424**	-
Other debtors	**4,672**	4,835
Prepayments	**576**	6,152
Accrued income	**396**	12
Amounts due from subsidiary undertakings	**108,476**	156,450
	116,544	167,449

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

48. Cash and Cash Equivalents

Cash and cash equivalents which comprise investments in AAA / AA bank deposits, which can be withdrawn without notice, comprise the following for the purpose of the cash flow statement.

	2014 £'000	2013 £'000
Cash and cash equivalents	**29,740**	119,908

49. Liabilities

	2014 £'000	2013 £'000
Current liabilities		
Other loans	**2,000**	2,000
Trade payables	**2,498**	1,931
Payroll and other taxes including social security	**4,191**	-
Amounts owed to Group undertakings	**52,079**	17,683
Other creditors	**12,805**	3,000
Accruals	**7,528**	3,522
Provisions	**23,016**	4,341
	104,117	32,477
Non-current liabilities		
Deferred tax liabilities	**9**	7

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

The analysis of provisions is as follows:

	Tax related matters £'000	Legal disputes £'000	Other £'000	Total £'000
At 1 January 2013 (restated)	1,393	-	-	1,393
- Additional provisions	2,948	-	-	2,948
At 1 January 2014 (restated)	4,341	-	-	4,341
Charged / (Credited) to the income statement:				
- Additional provisions	**12,356**	**5,538**	**781**	**18,675**
At 31 December 2014	**16,697**	**5,538**	**781**	**23,016**
Split:				
Non-current	**-**	**-**	**-**	**-**
Current	**16,697**	**5,538**	**781**	**23,016**

Tax related matters

A provision for tax-related matters has been established with respect to judgemental tax positions which have not yet been resolved. The amount provided represents the directors estimate of the likely outcome based upon the information available however the ultimate settlement may be different. The Company is taking steps to resolve this and believe this will be settled within twelve months from the balance sheet date.

Legal disputes

The amount provided in respect of legal cases is considered to be a prudent estimate at the higher end of the range of possible outcomes given the uncertainty in relation to these outcomes. If successful then the final settlement may be lower than the total provision recognised above.

Other

Provisions have been established for expected costs where a commitment has been made at the balance sheet date and for which no future benefit is anticipated. No reimbursement has been recognised in relation to any provision as there is no certainty of recovery or reliable means of estimation. An element of this relates to costs expected to be incurred as a result of the restructuring of the senior management team committed before the year end but for which the exact timing and quantum was not agreed until after the year end.

50 Financial instruments and financial risk management

(a) Financial instruments

The Company's financial instruments comprise:

1. available for sale assets of £1,621,000 (2013 £3,188,000)
2. loans and receivables comprising: trade and other receivables £110,900,000 (2013 £156,450,000) and cash and cash equivalents of £29,740,000 (2013: £119,908,000)
3. other liabilities comprising: trade and other payables including amounts owed to Group undertakings of £58,768,000 (2013 £19,614,000) and other loans £2,000,000 (2013 £2,000,000)

The carrying value and fair values are approximately the same. The fair values of assets and liabilities and fair value hierarchy is as described in note 33.

(b) Financial risk management

The Company manages its exposure to capital, liquidity and credit risk as set out note 33.

The following are the contractual maturities of financial liabilities:

Non-derivative financial liabilities	Carrying amount £'000	Contractual cash flows £'000	Less than 1 year £'000	Between 1-5 years £'000	Over 5 years £'000
2013					
Other loans	2,000	(2,000)	(2,000)	-	-
Trade and other payables	1,931	(1,931)	(1,931)	-	-
Amounts owed to Group undertakings	17,683	(17,683)	(17,683)	-	-
	21,614	(21,614)	(21,614)	-	-
2014					
Other loans	**2,000**	**(2,000)**	**(2,000)**	**-**	**-**
Trade and other payables	**6,689**	**(6,689)**	**(6,689)**	**-**	**-**
Amounts owed to Group undertakings	**52,079**	**(52,079)**	**(52,079)**	**-**	**-**
	60,768	**(60,768)**	**(60,768)**	**-**	**-**

Included within trade and other payables of £27,022,000 is CDN$21,000 and all other financial instruments are denominated in pounds sterling.

Trade and other receivables of £2,424,000 was current at the balance sheet date and does not include any impairment for bad debt.

51. Called up share capital

2013	Number '000s	Nominal Value Fully paid £'000	Nominal value Unpaid £'000	Nominal Value Total £'000
Issued and fully paid:				
At the start of the year	3,621,602	36,216	-	36,216
Issued shares of 1 pence	2,048,376	20,484	-	20,484
At the end of the year	5,669,978	56,700	-	56,700

2014	Number '000s	Nominal Value Fully paid £'000	Nominal value Unpaid £'000	Nominal Value Total £'000
At the start of the year	5,669,978	56,700	-	56,700
Issued shares of 1 pence fully paid	500,097	5,001	-	5,001
Issued shares of 1 pence unpaid	16,899	-	169	169
Effect of share consolidation	(5,774,509)	-	-	-
Issued shares of 15 pence	23,982	3,597	-	3,597
At the end of the year	436,447	65,298	169	65,467

On 20 June 2014, the shares of the Company were consolidated. The share consolidation replaced every 15 existing ordinary shares of 1 pence each with 1 new ordinary share of 15 pence each. The impact of the share consolidation on the number of allotted, called up, unpaid and fully paid shares is 5,775 million. There is no change in the total value of the Company's issued share capital.

Included within the ordinary share capital, as at 31 December 2014, are 2,283,333 shares of 15 pence (31 December 2013: 30,762,488 of 1 pence) with a carrying value of £12,498,000 (31 December 2013: £5,209,000) held by PT Health. Further details are provided in note 29.

The Company issued a number of share options and warrants, see note 28 for further details.

The Company has one class of ordinary shares of 15 pence each which carry no right to fixed income.

52. Reserves

	Share premium account £'000	Merger reserve £'000	Shares to be issued £'000	Equity reserve £'000	Share-based payments reserve £'000	Shares treated as held in treasury (£'000)	Retained earnings £'000
1 January 2013	103,523	74,318	28,635	54	(1,242)	(22,000)	(8,705)
On issue of shares	226,744	50,381	(28,635)	-	-	-	-
Expenses of issue of equity shares	(10,593)	-	-	-	-	-	-
Deferred consideration on acquisitions	-	-	55,505	-	-	-	-
Shares treated as held in treasury	-	-	-	-	-	(4,889)	
Disposal of shares treated as held in treasury	-	-	-	-	-	24,037	(10,279)
Transfer of prior year gain on sale of shares treated as held in treasury	3,231	-	-	-	-	-	(3,231)
Share-based payments	-	-	-	-	7,395	-	-
Dividends received	-	-	-	-	-	-	38,109
Loss for the year	-	-	-	-	-	-	**(8,763)**
At 1 January 2014	**322,905**	**124,699**	**55,505**	**54**	**6,153**	**(2,852)**	**7,131**
On issue of shares	**105,461**	**64,401**	**(73,802)**	**-**	**(2,826)**	**-**	**-**
Shares to be issued	**-**	**-**	**73,118**	**-**	**-**	**-**	**-**
Shares treated as held in treasury	**-**	**-**	**-**	**-**	**-**	**(169)**	**-**
Shares no longer issuable	**-**	**-**	**(24,077)**	**-**	**-**	**-**	**24,077**
Disposal of shares treated as held in treasury	**1,704**	**-**	**-**	**-**	**-**	**2,852**	**(79)**
Share-based payments	**-**	**-**	**-**	**-**	**17,386**	**-**	**-**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(231,736)**
Dividends received	**-**	**-**	**-**	**-**	**-**	**-**	**208**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**(6,180)**
At 31 December 2014	**430,070**	**189,100**	**30,744**	**54**	**20,713**	**(169)**	**(206,579)**

The fair value of the share consideration over and above the share's nominal value of 15 pence per share (1 pence per share prior to the share consolidation exercise in 2014) for all other shares issued by the Company is included in the share premium reserve. In addition, directly attributable costs incurred in the issuing of shares are also recognised in the share premium reserve.

The merger reserve represents the fair value of the share consideration over and above the share's nominal value of 15 pence per share (1 pence per share prior to the share consolidation exercise in 2014) for those shares issued as consideration for acquisitions that take the Company's ownership of the acquired entity above 90%.

The shares to be issued reserve represents deferred consideration payable by the issue of the Company's shares in respect of acquisitions made by the Company.

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

In accordance with IAS 32.33, the Company treats its own shares, which are held by consolidated subsidiaries or where it has issued equity instruments where the underlying substance dictates that the economic benefit flows back to the Company, as if such shares were treasury shares and deducts them at cost from equity by including them within the shares treated as held in treasury reserve. On sale, the reserve is credited at carrying value on a first in first out basis, with any resulting gain or loss being shown directly in retained earnings.

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

53. Income statement of the company

The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 to not disclose the Income Statement of the Company. The loss after taxation and total comprehensive income of the Company for the year ended 31 December 2014 was £231,736,000 (2013: £8,763,000).

54. Cash flow from operating activities

	2014 £'000	2013 £'000
Loss after tax	**(231,736)**	(8,763)
Tax	**482**	(1,048)
Finance expense	**66**	102
Finance income	**(3,299)**	(847)
Operating loss	**(234,487)**	(10,556)
Adjustments for:		
Exceptional costs	**2,108**	2,051
Share-based payments	**22,380**	6,526
Depreciation of property, plant and equipment	**125**	110
Amortisation of intangible fixed assets	**838**	548
Impairment of intangible fixed assets	**1,543**	-
Impairment of investments	**143,957**	3,181
Operating cash flows before movements in working capital	**(63,536)**	1,860
Decrease/(increase) in trade and other receivables	**56**	(6,222)
Increase/(decrease) in trade and other payables	**29,099**	(51,919)
Cash used by operations before exceptional costs	**(34,381)**	(56,281)

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

	1 January £'000	Cash flow movements £'000	31 December £'000
2014			
Cash	**119,908**	**(90,168)**	**29,740**
Cash and cash equivalents	**119,908**	**(90,168)**	**29,740**
Other secured loans < 1 year	**(2,000)**	**-**	**(2,000)**
Net funds	**117,908**	**(90,168)**	**27,740**
2013			
Cash	28,495	91,413	119,908
Cash and cash equivalents	28,495	91,413	119,908
Other secured loans < 1 year	-	(2,000)	(2,000)
Net funds	28,495	89,413	117,908

56. Discontinued operations and disposals

Disposal of businesses

As at the balance sheet date the Group had entered into an exclusivity agreement with S&G with a view to concluding the disposal of its the PSD. Amounts in the Statement of Financial Position relating to these businesses have been classified as held for sale.

Further details relating to the sale are included in note 37. The assets and liabilities held by the Company relating to the entities classified as held for sale at 31 December 2014 were:

	£'000
Investments in subsidiaries	**217,495**
Amounts due from subsidiary undertakings	**153,716**
Assets classified as held for sale	**371,211**
Amounts due to subsidiary undertakings	**(21,653)**
Liabilities classified as held for sale	**(21,653)**
Net assets classified as held for sale	**349,558**

IFRS 5 requires the disposal group be measured at the lower of its carrying value and its fair value less costs to sell. Since the fair value less costs to sell is in excess of the carrying value, no fair value adjustments have been applied to determine the net assets above.

57. Deferred tax

	2014 £'000	2013 £'000
Deferred tax liabilities	**9**	7
Deferred tax assets	**-**	-
	9	7

Deferred tax balances for Statement of Financial Position purposes are analysed as follows:

	2014 £'000	Restated 2013 £'000
Deferred tax liability falling due within one year	**-**	-
Deferred tax liability falling due after one year	**9**	9
	9	7

58. Ultimate controlling party

There are no shareholders with overall control of the Company as at 31 December 2014 or 31 December 2013.

59. Contingent liabilities

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

On 23 June 2015, the FCA informed the Company that it had commenced an investigation under the Financial Services and Markets Act 2000 in relation to public statements made regarding the financial accounts of the Company during 2013 and 2014. The Company is co-operating fully with the investigation. At this stage, the timing of completion of the 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.

In addition, the Directors are aware of a law firm that has announced the intention of forming a claimant group to commence litigation against the Company. No such litigation has yet been formally threatened or commenced.

All such matters are periodically assessed with the assistance of external professional advisers, where appropriate, to determine the likelihood of the Company incurring a liability and to evaluate the extent to which a reliable estimate of any liability can be made. However, the likely outcome on the Company of the FCA investigation and any group litigation that may potentially be brought against the Company is subject to a number of significant uncertainties and these cannot currently be determined. Accordingly, no provision has been made in respect of these matters.

60. Related party transactions

The Directors had no material transactions with the Company during the year, other than disclosed in the Directors' Remuneration Report on pages 20 to 22 or as described in note 39. The Directors are considered to be the key management personnel of the Company.

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

	2014	2013
	£'000	£'000
Subsidiary undertakings:		
Purchases	**-**	-
Sales	**-**	1,500

As at 31 December the outstanding balances with subsidiaries are as follows:

	2014	2013
	£'000	£'000
Amounts due from subsidiary undertakings	**108,476**	156,450
Amounts owed to subsidiary undertakings	**(52,079)**	(17,683)

In addition to the balances shown above are balances included within assets and liabilities classified as held for sale representing amounts due to and from the entities of the PSD. These are shown in note 56.

61. Post balance sheet events

Since 31 December 2014 there have been a number of events since the balance sheet date, these are discussed in note 40.

62. Dividends

During the year the Company paid dividends of 1.5 pence per share (2013: £nil), totalling £6,180,000 (2013: £nil).

Officers and Professional Advisers

Directors

Mr R Rose (Chairman)
Mr D Currie
Rt. Hon. Lord M Howard
Mr A Illsley
Mr D Young
Mr M P Williams

Secretary

Mr S Borson

Registered Office

Quindell Court
1 Barnes Wallis Road, Segensworth East
Fareham, Hampshire, PO15 5UA
Company Registration No. 05542221

Bankers

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

Lloyds Bank Plc
The Atrium, Davidson House
Forbury Square
Reading, RG1 3EU

Broker and Nominated Advisor

Cenkos Securities Plc
6,7,8 Tokenhouse Yard
London, EC2R 7AS

Auditor

KPMG LLP
Dukes Keep, Marsh Lane
Southampton, SO14 3EX

Solicitors

Dorsey & Whitney
199 Bishopsgate
London, EC2M 3UT

Herbert Smith Freehills LLP
Exchange House,
Primrose Street, London
EC2A 2EG

Registrars

Capita Asset Services
The Registry, 34 Beckenham Road
Beckenham, Kent, BR3 4TU