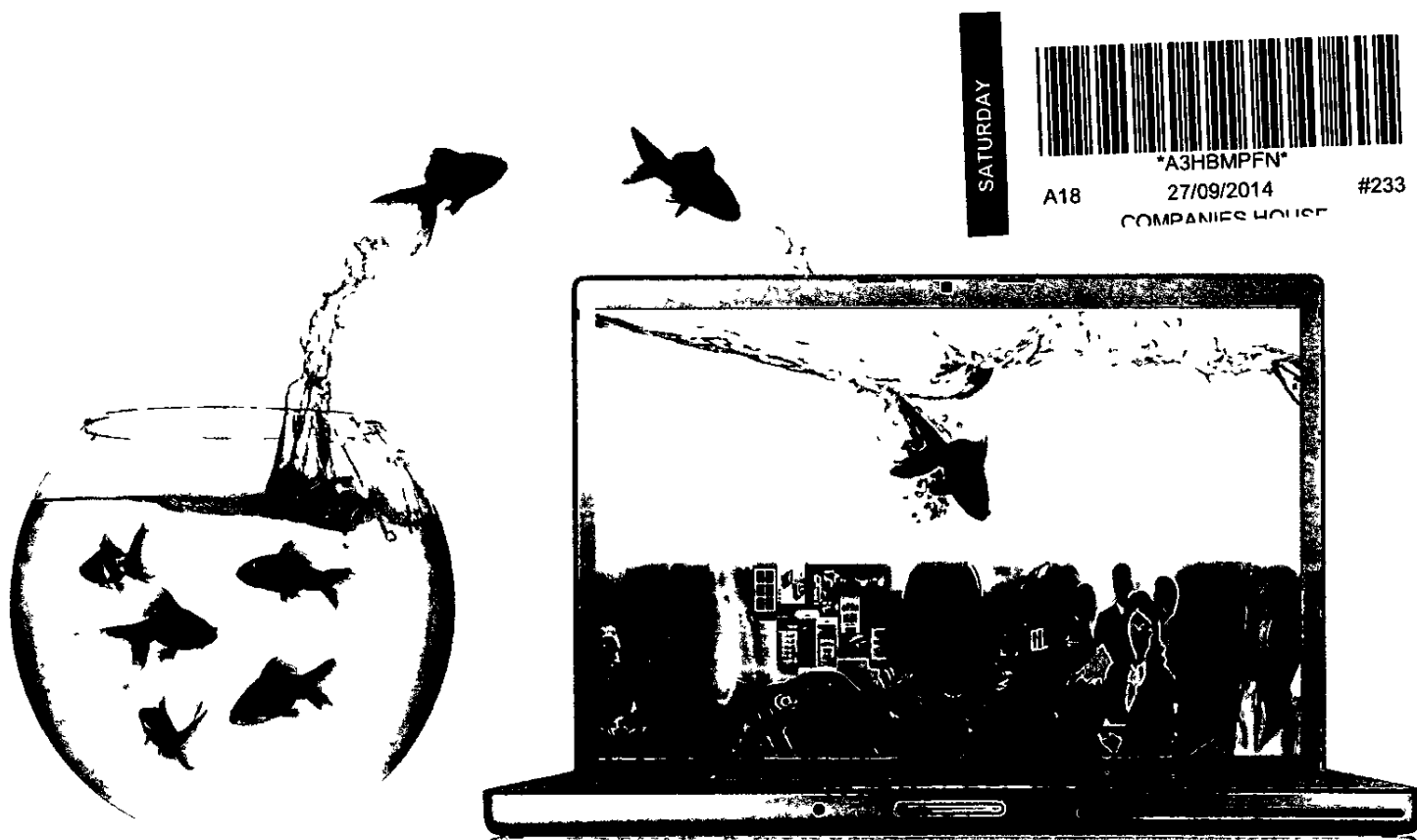


Quindell Plc
Annual Report
for the year ending 31 December 2013

DSEP
Parent Accounts
07259759
360 Capital Limited



Stand out from the crowd with Quindell...



**...Minimize Operational Cost, Exceed Service Expectations,
Grow Market Share and Maximize Ancillary Income**

Quindell, a Strategic Digital Technology and Outsourcing Partner, re-engineering industries to drive down costs using Ethical practices and Collaborative models

Consulting • Software • Outsourcing • Broking

Stamping Down Industry Costs

Quindell, a Strategic Digital Technology and Outsourcing Partner, re-engineering industries to drive down costs using ethical practices and collaborative models

£398.7m

Gross sales² increased by 134% to £398.7 million (2012¹ £170.2 million)

£380.1m

Group revenue increased by 133% to £380.1 million (2012¹ £163.0 million)

46%

Gross Profit Margin (on Gross Sales²) increased by 4% to 46% (2012¹ 42%)

£137.7m

Adjusted EBITDA² increased by 164% to £137.7 million (2012¹ £52.2 million)

£133.7m

Adjusted profit before tax² increased by 172% to £133.7 million (2012¹ £49.2 million)

2.54p

Adjusted Basic EPS² of 2.54 pence (2012¹ 1.45 pence), an increase of 75%

£20.1m

Adjusted Operating Cash Inflow² in the year

£199.6 m

Cash at December 2013² (2012¹ £48.1 million)

£140.2m

Net Funds at December 2013² (2012¹ £17.4 million)

Notes

- 1 2012 restated - See note 2 of the Financial Statements
- 2 See note 5 of the Financial Statements for adjusted measures
- 3 Comparative unadjusted measures are set out on page 8

In this year's Report



**Position your business with
Quindell's Industry Digital Solutions
to be the Predator not the Prey...**

"In today's digital world the line between traditional industry sectors continues to blur, however the focus on tight service management is common to them all. We believe that brand extension via excellent customer service, tight cost control and integrated supply chain management is not the prerogative of any single industry sector and with our solutions in multiple industry sectors savings of over 20% against industry norms are being delivered to the bottom line."

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Who are Quindell?

Quindell is a provider of sector leading expertise in Software, Consulting and Technology Enabled Outsourcing in its key markets being Insurance, Telecommunications and their Related Sectors.

Quindell is recognised as No.1 in insurance technology in Europe, a leader within Usage & Behaviour Based Insurance globally and is the largest technology enabled claims outsourcing business for the UK insurance industry and the only organisation ethically addressing the total cost of claims including personal injury and rehabilitation.

Quindell companies have worked with over 1000 brands from small to medium enterprises and blue chip organisations around the globe. Today we count a number of the world's top Insurance and Telecommunications companies within our customer base, as well as hundreds of customer centric organisations working in both the distribution and supply of their services.

The pressures on an organisation can come simultaneously from multiple directions including the need to add customers, increase wallet share, reduce costs and improve customer satisfaction. At Quindell we have the People, the Processes and the Supply Chains, underpinned by our sophisticated Champion and Challenger Business Process Management Technology Platform and Industry Solutions to help our customers tackle these efficiently and effectively.

We are committed to an ethical and open approach delivering a wide range of professional services to both telecoms and insurance customers. We carefully manage the total cost of ownership of our solutions and the settlement of claims to the benefit of the insurance market and its associated service providers delivering 20%+ saving.

PEOPLE

A team of highly experienced staff ensure that Quindell operates at full potential. Always working efficiently and effectively, they bring the energy which characterises Quindell as an innovative organisation and keeps it moving forward. We are proud to operate globally with over 4,000 employees in 2014 (average 2,412 in 2013), primarily in the UK and North America.

Forward-winning people delivering forward-winning Customer Service and Industry Solutions.

INVESTORS IN PEOPLE | Silver

STARTING IN OUR PEOPLE

In all divisions of our business we have achieved Investor In People status since 2003 and, in 2010, we were first awarded Silver Status which has been maintained since.

The Silver Status award is one that only 5-10% of businesses that have the Investor In People status manage to achieve. The Investor In People assessor noted that "it is clear that the organisation has developed a communicated an ambitious but realistic plan for continued growth... people have demonstrated the openness of the Directors in communicating the future aims."

REWARDING DEDICATED STAFF

Quindell's board and management team recognises those staff who have shown their dedication to the company's core values over a significant period of time.

As well as rewarding staff on an ongoing basis for specific achievements, Quindell also recognises the efforts made by staff throughout their service. We hold a long service award scheme to acknowledge staff with achievements of 5 and 10 years service.

SETTING THE STANDARD

Individuals are actively encouraged to follow our core values of Teamwork, Accountability, Trust, Passion, Innovation and gain industry recognised qualifications.

We provide support for externally accredited programmes and also have our own in-house training facility so that Quindell, through the endeavours of its dedicated people, can offer customers an even better service. We continue to recruit, train and retain the best staff in the industry.

OUR

Our team
to its
providing
organizational
Global
primary

As pe av Co In



INVEST

In key
have
status
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and the

The Silver
of those
In People
Investors
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commu

£57,090

Adjusted EBITDA per employee in 2013.



Teamwork

We are more effective when we work together sharing ideas and knowledge. Fulfilling our commitments to each other and respecting each others opinions.

Accountability

We never shirk responsibility. We always accept personal accountability for our actions and results, rather than making excuses or placing blame - so when there's a job to do, we do it.

Trust

We promote honesty and integrity in everything we do and keep our promises and commitments made to others.

Passion

We take pride in doing a great job, taking responsibility for delivering "best in class" customer service - and having fun doing it.

Innovation

We are advocates of positive change and never accept that we can't find a better way to do things, we always push the boundaries to keep improving and overcoming challenges.



Financial Highlights¹

- Revenue increased by 133% to £380.1 million (2012: £163.0 million)
- Gross sales² increased by 134% to £398.7 million (2012: £170.2 million)
- Basic EPS of 1.98 pence (2012: 1.00 pence), an increase of 98%
- Adjusted EPS¹ of 2.54 pence (2012: 1.45 pence), an increase of 75%

Adjusted EBITDA²

- Adjusted EBITDA increased by 164% to £137.7 million (2012: £52.2 million)
- Adjusted EBITDA margin of 36% (2012: 32%) based on Revenue
- Adjusted EBITDA margin of 35% (2012: 31%) based on Gross Sales

Profit Before Tax

- Profit Before Tax increased by 202% to £107.0 million (2012: £35.4 million)
- Adjusted Profit Before Tax² increased 172% to £133.7 million (2012: £49.2 million)

Full Listing Preparation progressing to Plan

- Prospectus will be submitted to UKLA by mid April, with listing targeted before the FTSE indices review in early June
- Success of Quindell original strategy validated with margins increasing now operations are fully integrated
- Last two years results now fully validated - no fundamental changes to Accounting Policies or KPI's
- Significant Organic Growth now delivered with market expectations being exceeded for twelve quarters in succession
- Longer term Adjusted EBITDA margin guidance increased to 30%+ from 25%+
- All 2013 KPI's (except Gross Sales, due to success in driving down claims costs) exceeded market expectations

2012 Statutory reported numbers updated to reflect early adoption of IFRS 10 in preparation for Full Listing

- IFRS 10 changes definition of control which has resulted in earlier consolidation of acquired legal services businesses
- Revenue increased by £25.4 million, Profit after tax reduced by £3.7 million and Net assets increased by £21.0 million
- Operating Cash flow lower with earlier consolidation and elimination of pre-acquisition loans but Net Cash increased by £0.8 million

2013 Cash flow and Debtors

- Adjusted operating cash inflow² of £20.1 million during period of funding significant organic growth (2012: £38.8 million)
- Operating cash inflow³ of £3.2 million (2012: £18.4 million)
- Cash collection across the business according to or ahead of plan in all key areas during 2013 and in Q1 2014
- Cash generation of business model validated during 2013 with over £270 million of cash collected - circa 185% of the value of total trade related receivables (including accrued income) as at 31 December 2012
- Trade receivable days at December 2013 reduced to circa 4.7 months (December 2012: 6.5 months, June 2013: 4.8 months)
- Trade receivables over 12 months reduced by £6m (20%) during 2013 with Collaboration model adoption and by litigating as required
- Cash at December 2013 £199.6 million (2012: £48.1 million), Net Funds of £140.2 million (2012: £17.4 million)

Notes

- 1 2012 Restated – See Note 2 to the Financial Statements
- 2 See Note 5 to the Financial Statements for adjusted measures
- 3 Operating cash flow after exceptional costs and before net finance costs and taxation

Operating Highlights

- Focus on organic growth and earnings enhancing acquisitions throughout 2013
- Three material acquisition groups: Legal, Health and Claims with all core functions integrated
- Integrated management team in place with two divisional Group CEO's
- Proven record in earning enhancing acquisitions supported by Advisory Board
- Further earning enhancing vertical integration opportunities exist

Services Division

- Significant contract wins announced throughout 2013 driven by regulatory changes c £450 million per annum additional revenue
- Gross sales increased by 125% year on year to £318.3 million (2012: £140.1 million) at an Adjusted EBITDA margin of 29%
- Over 60 independent outsourcing and referral partners providing significant volume to the Group
- Margin continues to increase due to technology enablement and scale of business

Solutions Division

- Software & consultancy revenue increased 168% to £80.4 million significantly exceeding market expectations (2012: £30.1 million)
- Recognised as joint market leader for European claims by Celent
- Now believed to be clear market leader for European claims technology by substantial margin
- Signed multiple new technology contracts and extensions across key markets and geographies
- Sales to North America of £33.8 million now almost match those to Europe of £39.5 million

Connected Car and Telematics

- Independent study by Ptolemus confirms Quindell/Himex as global leader in all three segments: black box, OBD dongle, smartphone
- Our position in insurance telematics well advanced in the UK with brands representing 80% of 2013 growth using Quindell solutions
- Group already in telematics roll out with three of the top twenty US insurance providers, and pilots conducted with another four

Recent news and Outlook

- Q1 2014 anticipated to deliver over £50 million Adjusted EBITDA up 100% on Q1 2013
- All KPIs to date ahead of market expectations being profitability, cash generation and EBITDA margin
- Organic growth represents an increasing percentage of overall strategy
- Over £450 million of outsourcing revenue per annum wins announced in Q1
- Market expectations for technology revenues likely to be significantly exceeded in 2014
- Criteria for acquisition remains but with any shares issued at greater of 20% premium or 50p (2012: 17.5p)
- Progressive dividend policy being adopted with maiden dividend of 0.1 pence announced today

Executive Chairman's Review

"Our strategy, set at the time of our listing on AIM in May 2011, needed to be proven to the market, to our industry and to all other stakeholders during 2013. By doing so, Quindell has the potential to be rewarded with a market rating that is more appropriate for the growth and high quality revenue visibility that it provides for any investor. So in summary, 2013 was a year to provide "proof". We delivered on our goal of significantly exceeding market expectations with 168% growth in technology solutions revenue, our highest margin and most cash generative segment

I am therefore pleased to be able to present today to shareholders, employees and other stakeholders a very positive picture of our strategy being reality, and being able to confirm that as a Group, we have established the scale and substance from which we will be able to grow further on a global basis and create additional significant value for all stakeholders

Trading in 2014 has also been ahead of plan for all key performance indicators, being profitability, cash generation and EBITDA margin. We are determined to ensure we achieve the optimum valuation for the Company's shareholders, the best and most innovative services and technology for our clients, and a great place to work for our staff. All of this gives me and our team, immense confidence in our ability to grow from this platform and continue the success in 2014 and beyond exceeding current market expectations"

Robert Terry

Founder and Executive Chairman



Introduction

Our strategy, set at the time of our listing on AIM in May 2011, needed to be proven to the market, to our industry and to all other stakeholders during 2013. By doing so, Quindell has the potential to be rewarded with a market rating that is more appropriate for the growth and high quality revenue visibility that it provides for any investor. So in summary, 2013 was a year to provide "proof".

It was also a year for delivery, a year in which key decisions were taken with shareholders and one of achieving our major objectives for the year. These objectives included signing new contracts representing significant organic growth. We delivered, with over £550 million per annum of business announced in the period up to the end of 2013 (subject as always to future claims frequencies). Together with new business wins announced so far in 2014, this figure now stands at approaching £1 billion per annum, with multiple material contract wins being achieved by both of the Group's two divisions. We have also delivered on our objective of particularly strong growth in legal, health and rehabilitation services which are the highest generators of margin within our technology enabled outsourcing business. In addition, we delivered on our goal of significantly exceeding market expectations with 168% growth in technology solutions revenue, our highest margin and most cash generative segment.

Connected Car Solutions

Most importantly, and a key objective for the Board, circa 50% of technology solutions revenue growth came from Connected Car Solutions, approximately £15 million of which was in relation to our work in partnership with Himex in the US and £9.4 million of which was in relation to our work with ingenie and its underwriting partners in the UK, Canada and the US. Included within these revenues in relation to Himex and ingenie is approximately £6 million for the provision of telematics devices on a correspondingly lower margin than the remainder of our business in this area. In Connected Car Solutions, Quindell is recognised as a global market leader in black box, OBD dongle and smartphone based telematics. Independent analysis as recently as December 2013 confirmed Quindell (including Himex) as the only vendor in the top three globally in all three categories, but, announcements made by the Group during 2014 should, we believe, ensure the market is in no doubt that we are the clear number one telematics service provider globally.

The confirmation of our leading position in Connected Car Solutions could not come at a better time for the Group with certain key patents in the US that previously prohibited growth in the insurance sector now being dismissed by the US Government. This opens the way for mass market adoption in a region that already generates nearly as much technology solutions revenue for Quindell as our home territory Europe and where the Group is already rolling out with three of the top twenty insurance providers in the US, and pilots have been conducted with another four. Our pipelines are also growing beyond all prior expectations.

We enter 2014 with massive growth potential in a segment that is supported by predictions from all independent analysts covering the space. The Board recognises the scale of this opportunity and proof of this is provided by the recent contracts announced, the recent distribution deal announced for Asia and the Middle East, and our prediction that the business can grow to 10 million subscribers for which we will be paid recurring revenues in the medium to longer term.

This area of the business will be a focus of future investment for the Group to enable it to make further upgrades to the subscription targets and to maximise on the significant growth potential during this period of global land grab

Working capital vs growth

During 2013 a key decision had to be made. Should we focus on delivering the best operating cash generation we could, as we did to prove the sceptics wrong at our half year results for 2013, or should we reinvest our cash generated from both divisions to deliver even more sustainable EPS growth for our investors over the long term? We canvassed opinion of the key influencers of the business. Our customers, who wanted us to continue to win business to help drive down the cost of claims for the industry, our internal stakeholders that are key to delivering our success, and our existing investors as the owners of the Company. They left us in no doubt. They all wanted growth, with major brand wins in the mix, to ensure we had long term contracts and clear independent industry references supporting the success of our strategy. We acted, delivering a major contract with Direct Line Group and contracts with numerous other key brands. But our investors wanted more, and our 100% success in converting pilots into long term contracts indicated we could deliver it. So in November 2013, with very good support from our existing and key new shareholders, we raised a further £200 million (net of expenses) to provide the capital to underpin continued significant organic growth during 2014, and set ourselves a target for more contract wins that would represent a further £450 million of outsourcing revenue per annum. Since then, we have again delivered on our promise, signing all the contracts needed within fourteen weeks of the fundraise, thus ensuring we can exceed the growth objective set at the time of raising the capital. Since which time our share price has more than doubled, providing a good level of return for those that supported the fundraise.

We continue to have sufficient working capital resources available including cash at bank, cash generation and debt facilities to deliver over 4p of EPS in 2014. Our last objective in this area was that post the fundraise in November the Group should not need to raise any more capital to support its expectations of organic growth within the Services Division in 2014 and beyond. This of course can only be achieved by continuing to be selective in terms of the work and the amount of growth we take on and therefore by turning away business, for internal processing, beyond the 16,000 cases per month that our legal services operation has budgeted for where it incurs an upfront cost of acquisition of up to £800 per case (in aggregate being circa £12 million per month). This is sustainable due to the significant cash generation that is already being achieved from historic cases and through the cash generation and working capital available within the rest of the Group. This level of case acquisition within legal services remains our internal budget for 2014 and beyond and would represent a run rate of circa £650 million per annum of legal services revenues on this volume of cases. This would imply circa £110 million in health and rehabilitation services and with a budgeted £130 to £150 million of non-fault hire and repair on run rate. These run rate levels would all be expected to be achieved prior to the end of June 2014 and by taking into consideration the announcements the Group has already made. The Solutions Division is already generating significant operating cash inflows for the Group, so clearly has no need for additional funds to meet its ongoing cash commitments and has in fact been a major support to the cash requirements of the Services Division during this period of significant growth.

We would not have achieved the level of support for the fundraise, which was significantly over subscribed, in November if we had not met another key objective for 2013 which was to make it clear that our business model today is already generating significant amounts

of cash. Cash generated by the Group during 2013 was significant with over £270 million collected from customers. This represents circa 185% of the value of total trade related receivables (including accrued income) as at 31 December 2012, demonstrating our ability to convert our profit into cash. Ongoing improvements also continue to be made in trade receivable days, which at December 2013 has reduced to circa 4.7 months (December 2012 6.5 months, June 2013 4.8 months) and with significant further progress expected during 2014. The small proportion of our total receivables, all of which were inherited with our acquisitions, and that are over 12 months at year end reduced, with debts past due over a year old reducing by a further £6.0 million (a 20% reduction) during 2013. This has been achieved in part by adoption of the Collaboration model for hire and repair contracts and associated block settlements without write-downs, and more recently, post our acquisition of Compass Cost, by litigating if required. These actions in combination are proving very successful in ensuring earlier debt collections. We have rigorous enforced provisions in place across all categories of our trade receivables which of course have now also been audited.

Organic growth

We set out to demonstrate that the majority of our growth would be delivered organically. Of the circa £400 million of gross sales for 2013, which included growth of £228 million, only £40 million of this revenue was associated with businesses acquired in the year and in reality more than a third of the revenue that was earned by these businesses would not have been possible had they not been acquired by Quindell. So only circa 10% of our revenue came from acquired or synergistic revenue during 2013 and 90% was delivered organically. Clearly the quantum of organic growth that will be delivered during 2014 having announced new contracts of circa £1 billion per annum even with the timing of the roll out of these contracts across the year, it is clear that the growth in 2014 will significantly dwarf that of 2013. This provides further proof of our organic growth delivery.

Industry contribution

Another objective was to not only be recognised for our financial success but also our contribution we made to the industries that we serve. The Group has won numerous awards during 2013 and already in 2014 has been shortlisted for a significant number of awards to be concluded over the next few months. So now, Quindell is recognised by both financial and trade analysts as number one in insurance technology in Europe and a leader in Usage and Behaviour Based Insurance globally. It is the largest technology-enabled claims outsourcing business for the UK insurance industry, and the only organisation ethically addressing the total cost of claims including personal injury and rehabilitation. Quindell is recognised as being committed to an ethical and open approach delivering a wide range of professional services to both telecoms and insurance customers. Through our services, we carefully manage the total cost of ownership of our solutions and the settlement of claims to the benefit of the insurance market and its associated service providers, delivering 20%+ saving through programs such as our collaboration protocol with at-fault insurers. These in turn drive down turnover for the Group whilst maintaining or improving the Group's margins.

Fulfilling on the Group's strategy to date has provided a platform to deliver disruptive business transformation solutions that improve efficiency and effectiveness in our core markets, whilst driving down costs. At the same time, this strategy is enabling us to use this platform to develop combined propositions that are compelling beyond traditional silo offerings, for the marketplace to achieve significant organic growth through extension of their brands in this period of major technology and regulatory change. This approach was all a core part of Quindell's original brand extension strategy when we listed the business in 2011.

More broadly, our ambition is to build the number one technology and outsource supplier to the Global P&C (property and casualty) insurance industry along with its related sectors. We believe that our unique combination of services and technology, including our Connect Car solutions, expressed in our collaboration protocols and other industry initiatives will halt and then reverse the trend of declining underwriting results for our insurer customers. Quindell's original ambition to deliver a business of over £1 billion of revenue is clearly within our grasp, but this ambition no longer seems relevant when it is clear that the market opportunity now exists to comfortably double this goal within the medium to longer term.

I am therefore pleased to be able to present today to shareholders, employees and other stakeholders a very positive picture of our strategy being reality, and being able to confirm that as a Group, we have established the scale and substance from which we will be able to grow further on a global basis and create additional significant value for all stakeholders.

Progressive dividend policy

In light of the confidence we have with the Group's position and future prospects, I am pleased to be able to confirm the Board's decision to declare a maiden dividend to shareholders at a value of 0.1 pence per share and that payment will be made on 2nd May 2014 to shareholders on the register as at 11 April 2014. The Company will also be adopting a progressive dividend policy from this day forward. Further proof that we once again deliver on the promises that we make to shareholders. It is clear that the Company has the potential to pay a much higher dividend, but we have paid exactly what we indicated we said we would as at this time as we can best serve shareholders by continuing to leverage the capital within the Company so they can continue to enjoy the return on capital that we have delivered, being an average of 22% over the last two years provided that our strategy continues to deliver, which the Board has every confidence it will, as it has since our listing in May 2011.

Full Listing and potential dual listing

Our final proof was to prepare the business for a UK full Listing and a potential North American listing post the announcement of our 2013 audited results. The Board is pleased to report that its Full Listing is progressing to plan. We now have each of our last two years results fully validated with no fundamental changes to accounting policies or Key performance indicators resulting from that review other than to reflect as needed the adoption of new accounting standards that have come in force since last year. Our prospectus will be submitted to UKLA by mid April, with Listing targeted for early June in order that we are Listed in time for the reviews which takes place at the end of June. At which time, as a Premium listed company with a market cap of our scale (subject to share price movement), we would expect to join either the FTSE250 or if appropriate the FTSE100. The business is required to show a three year track record following its original strategy and under the guidance of materially the same board and management team. Quindell has followed the same strategy since its inception, has completed a number of acquisitions but none of which are material compared to the significant organic growth which has now been delivered. Our strategy is clearly working with market expectations being exceeded by the Group for twelve quarters in succession.

Important steps have been made both during 2013 and since the year end as part of the preparation process for the move to Premium UK Listing. These steps have been across a number of areas to ensure that in each case, the Group's resultant position is commensurate with its intended standing as a FTSE250 or FTSE100 main market participant, or equivalent company.

Development of the Group's management team structure has progressed as my role was confirmed as Executive Chairman, and was supported as such long term by the majority of the Group's major shareholders. The role of Group Chief Executive Officer was separated and two new divisional Group Chief Executive Officers, Tim Scurry (Digital Solutions Division) and Robert Fielding (Services Division) have been appointed. Robert Thomson, who was previously Group Chief Executive Officer for the Digital Solutions Division is now deputy Group Chief Executive Officer for the Services Division to ensure breadth of management is in place as we start to scale this part of the business internationally and since this area of the business represents close to two-thirds of the profit of the Group.

During the year, the Company increased the independent non-executive representation on the Board and we were delighted that in September 2013, Robert Bright and Bob Cooling agreed to join the Board having both been members of our Strategy Integration and Advisory Board since 2012. The Group has grown significantly in the last two years and these changes reflect this, with the appointment of two new independent non-executive directors who between them have significant experience, particularly in regards to the international insurance sector and the management and development of large people-based organisations.

Also, the Board's senior non-executive role was developed to that of non-executive Vice-Chairman. I was and remain personally delighted that Tony agreed to broaden his role as senior independent non-executive director. Tony's experience, challenge and input is very much valued and in this new role, he has already been able to provide further contribution to the Group's overall leadership and governance. The contribution of our non-executive board and advisory board has also been invaluable in helping to define and deliver on our unique selling points for insurance and to ensure compliance with our overall governance objectives and acquisition criteria.

In July 2013, the Board appointed Canaccord Genuity Limited as joint broker and financial advisor and since this date has been working alongside the Group's existing Nomad and broker, Cenkos Securities plc and both supported the fundraising in November 2013. Further key appointments have been made in 2014 in relation to corporate development and investor relations, adding in both cases people that have significant experience working at blue chip investment banks. Additional potential non-executive directors are having applications prepared for review by the Solicitors Regulation Authority before we can confirm their appointment. Subsequent announcements are expected to be made confirming these appointments in due course as we progress on our Full Listing process.

In further preparation for this event, we have been advised to consider future changes to accounting standards and have chosen to take early adoption of IFRS 10 so that for listing, our published results already reflect the required presentation of the business now that the standard has become mandatory in 2014. IFRS 10 changes the definition of control. This has resulted in earlier consolidation of our acquired legal services businesses for both 2012 and 2013, and has changed a number of statutory reported numbers for 2012. Revenue has increased by £25.4 million, Profit after tax has reduced by £3.7 million, Net assets have increased by £21.0 million and the operating Cash flow during 2012 is now lower due to the earlier consolidation and elimination on consolidation of loans provided to these businesses pre-acquisition. However, the ultimate net effect of this is at the 2012 year end there is actually an increase in net cash of £0.8 million on the balance sheet.

Future margins and working capital

The success of the Quindell original strategy has also been further validated in both 2012 and 2013 with margin guidance being increased now that our operations are fully integrated and the mix of our long term business established. I am pleased to confirm that the Board has agreed to once again increase its longer term Adjusted EBITDA margin guidance to 30%+ from its current guidance of 25%+. The background to which is further detailed in Laurence's Financial Review. I would like to take this opportunity to thank our two divisional Group Chief Executive Officers, their teams and the Group's finance teams on the hard work that has gone into delivering this fantastic development of our business.

Lastly, demonstrating the Group's future working capital needs is also a key component of the listing process. Our working capital model demonstrates that our needs are fully covered and in fact with any reduction in volume or cessation of significant growth, the business very quickly becomes significantly more cash generative. I am pleased to report that the Group's performance in Q1 in relation to cash generation is significantly ahead of the guidance we gave at the time of our fundraise. In fact, all 2013 KPI's as well as KPIs in Q1 2014 (except Gross sales, due to our success in driving down claims costs) have significantly exceeded market expectations yet again.

With regards to the potential dual or North American listing, we are conducting an investor roadshow in late April with a major US based investment bank following our 2013 results roadshow to confirm appetite and demand for any potential dual listing in the US market. We are also attending technology conferences in the US with two leading investment banks during the summer.

Once the business has been fully listed in the UK the Board will review the appropriateness of pursuing a second listing taking into consideration the results of these prior activities.

Financial Review

Revenues in the year increased by 133% to £380.1 million (2012 £163.0 million). Gross Sales, which reflects the full scale of business in our legal services operation increased by 134% to £398.7 million (2012 £170.2 million). Within this, Solutions revenues were £80.4 million (2012 £30.1 million) and the technology enabled outsourcing Services revenues were £299.7 million (2012 £132.9 million).

Adjusted EBITDA for the year (profit before tax excluding amortisation, IFRS10 adjustment, share based payments, depreciation, interest and the exceptional costs as described in note 2) increased by 164% to £137.7 million (2012 £52.2 million) despite the regulatory changes that came into effect on 1 April 2013 and the subsequent reduction in portal fees for legal services. Adjusted EBITDA margin for the Group at approximately 36% of revenue (34% based on gross sales) are still ahead of the Group's longer term guidance as the Group has continued to drive through efficiencies, integration savings and economies of scale.

Note 4 describes the Group's key performance indicators as well as the Group's key performance indicators including the IFRS10 adjustment.

Profit before tax for the year increased by 204% to £107.0 million (2012 £35.4 million) and Adjusted profit before tax for the period increased by 183% to £133.7 million (2012 £49.2 million). Profit after tax for the period increased by 203% to £82.7 million (2012 £27.4 million).

Basic EPS for the period was 1.97 pence per share a 96% increase (2012 1.00 pence), and Adjusted Basic EPS was 2.54 pence per share (2012 1.45 pence), an increase of 75%.

Operating cash flow after exceptional items before interest and tax was an inflow of £3.2 million (2012 £18.4 million). Adjusted operating cash flow, which excludes exceptional costs, interest, tax and adjustments arising from the adoption of IFRS10 was £20.1 million for 2013, significantly ahead of market expectations (2012 £38.8 million). Both of these measures reflect a strong performance in a business that is delivering significant, sustainable organic growth.

The Group's cash balance at 31 December 2013 was £199.6 million and total borrowings were £59.4 million, leading to net funds of £140.2 million (2012 £17.4 million). The Group's year end balance sheet position for 2013, which recorded net current assets of £330.7 million (2012 100.2 million), is the strongest in the Group's history.

The Group's operating cash inflow for the final quarter for 2013 was ahead of market expectations despite some block settlements with at-fault insurers being completed in Q1 and Q2 2014. This over performance was due to strong cash management and debtor controls and in particular, performance ahead of plan regarding cash collection from the Solutions Division.

Collaboration protocols

The Group's new and innovative collaboration protocols were launched during the year enabling Quindell and at-fault insurers to work together and for both parties to benefit in the reduction of costs. In the case of collaboration within car hire, benefits include reduced car hire durations, and the offering of initiatives such as cash alternatives to car hire in certain cases.

From Quindell's perspective, it also provides the opportunity for continued significant block settlements of debt, as well as a providing a fundamental change to the cash profile of a significant part of the Group's Services Division as insurer debt is settled within up to one month of presentation of an agreed invoice.

During the year, meetings were held with most of the major UK insurers, and the Group communicated its expectations that the proportion of take-up of collaboration protocols would ultimately increase to approximately 75% to 80% of the market. Momentum in the pace of adoption of the Model grew throughout the second half of 2013 and has continued to increase into 2014 providing confidence that this guidance will be met or exceeded during the first half of 2014.

A second collaboration protocol, for legal services leading to the prepayment of legal costs is also continuing to be developed by the Group. Significant interest continues to be expressed by some major insurers in this protocol with the expectation that this will result in a change in the model for the industry that will reduce costs for insurers and accelerate payment of fees to Quindell without any net loss of profitability whilst maintaining protection for consumers.

The Group expects that ultimately up to 75-80% of insurers will be operating under this protocol by the end of the financial year 2014, but that roll out will not commence until the collaboration protocol for hire has been completed as ultimately it is the same teams within insurers that will engage on both.

Services Division

The Group's Services division increased revenues by approximately 126% year on year to £299.7 million (2012: £132.9m), and gross sales by 127% to £318.3 million (2012: £140.1 million) at an Adjusted EBITDA of £91.0 million and 29% margin based on gross sales. Quindell's Services Division is the largest technology enabled claims outsourcing business for the UK P&C insurance industry handling some element of between 25 to 30% of all auto claims, and is the only UK outsourcing organisation ethically addressing the total cost of claims including personal injury and rehabilitation.

At the start of the year prospective customers were needing to address the impacts of regulatory change that were coming into force within the UK insurance market on 1 April 2013. This led to accelerated sales cycles and further contract wins throughout the year for the Group's end to end proposition of a complete supply chain offering for personal injury claims, medical reporting, multi-disciplined rehabilitation plus auto accident repair including vehicle hire services and other brand extension services. The Group was successful in converting 100% of pilot programs to contract, and the already accelerated sales cycles were also subsequently assisted by new clients taking references from existing clients rather than initiating further pilots.

Throughout the year the Group has announced a series of significant contract wins. These included a 5 year contract with the RAC, enabling it to provide an offering to its members that own vehicles representing circa 10% of the UK auto market, a material contract with one of the UK's largest insurance brokers with over 1.2 million auto policy holders worth up to £100 million per annum in revenue, and a £20 million contract with one of UK's largest direct insurers.

In September 2013 the Group confirmed its expansion into North America with its 26% investment and option to acquire PT Healthcare Solutions Corp ("PT Health"), a leading provider of healthcare and rehabilitation services with over 100 physiotherapy and rehabilitation clinics across Canada. Motor vehicle accidents are not one of its key sources of work currently, and this provides the opportunity for Quindell to enter the market and to bring volume from its own partners, including the Insurance Broker Association of Ontario ("IBAO"), with whom Quindell has been building a relationship during 2013, thereby assisting the industry within Canada to stamp down the cost of claims in this important area of claims leakage.

In September 2013 the Group also announced the acquisition of 25.3% of the issued share capital of Nationwide Accident Repair Services plc, the largest dedicated provider of accident repair services in the UK. Ultimately, having a direct ownership stake in a repair services network will enable us to take advantage of the volume we manage for our clients and broaden our overall proposition in insurance and motor related outsourcing.

In October 2013, we announced that the Group has reached agreement with 10 key brands of varying sizes for over £150 million of revenue per annum as well as a £50 million per annum contract win with Direct Line Group the largest retail general insurer in the UK. This new hire contract was significant from day one, being worth over £150 million during its three year period and followed a competitive market evaluation, rigorous due diligence and selection process by Direct Line Group. Of these £200 million additional annual run rate revenues, circa £150 million per annum commenced in Q4 2013 and circa £50 million commenced as from Q1 2014.

Kerry Michael
RAC Commercial Director

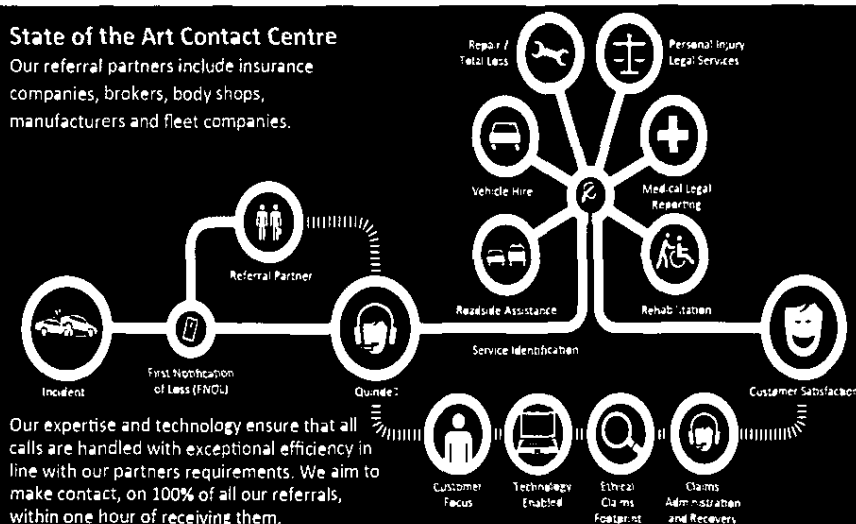
RAC

"RAC has been looking after our members and their needs for more than 115 years and our association with Quindell will enable us to continue delivering market leading propositions into the future. Together with Quindell, we are improving the customer journey for our Members whilst driving down the cost of claims for the industry as a whole."

Quindell's technology and integrated outsourcing offering is market leading and we believe offers our members and commercial partners a best of breed solution that will enhance their driving experience."

State of the Art Contact Centre

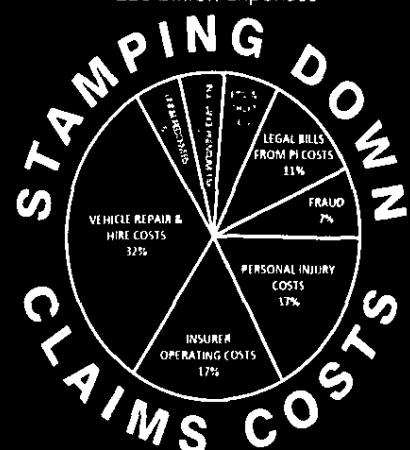
Our referral partners include insurance companies, brokers, body shops, manufacturers and fleet companies.



Our expertise and technology ensure that all calls are handled with exceptional efficiency in line with our partners requirements. We aim to make contact, on 100% of all our referrals, within one hour of receiving them.

Quindell is positioned to deliver savings of 20% to the bottom line against the total cost of claims, not just the repair of the vehicle!

2010 UK Motor Claims Spend 100% =
> £10 billion Expenses¹



Solutions Division

The Group's Solutions Division has similarly experienced a positive year. Revenues totalled £80.4 million during 2013 (2012: £30.1 million) with £39.5 million, £33.8 million and £7.1 million coming from Europe, North America and the Rest of the World respectively. Adjusted EBITDA was £51.4 million, a margin of 64% (2012: £24.0 million at 80%) representing a contribution of approximately 37% of the Group's Adjusted EBITDA in the year, and with a particularly strong cash generation profile.

Quindell's Solutions Division is recognised in the industry by both financial and trade analysts as number one in P&C insurance claims technology in Europe. Quindell is a global technology supplier of P&C complete insurance ERP solutions, a global technology supplier in telecoms with expertise in OSS/BSS, and have unique expertise in online/social media sales and service. In addition we are seen as the global leader for 'Black Box Telematics' Usage and Behaviour Based Insurance. As a result, the Division has experienced rapid expansion in North America with acquisition of Iter8 and establishment of Quindell Solutions Inc., and signed multiple new technology contracts and extensions across key markets and geographies including major contracts in telematics.

Quindell was recognised among the leading European providers of Insurance Claims Systems in Celent Claims Systems Vendors European General Insurance 2012 and we now believe the Group, with its market leading ICE Challenger software suite of Policy, Claims, Analytics and Napier cloud based rating engine, is the clear market leader for European insurance technology by a significant margin, having delivered more deals in the first six months of 2013,

including SaaS implementations, than Guidewire, SAP and Accenture together are accredited by Celent to have won in claims software over the last two years. Significant new deals with the RAC, Ageas, and one other of the top ten UK motor insurers, being amongst the highlights for Quindell.

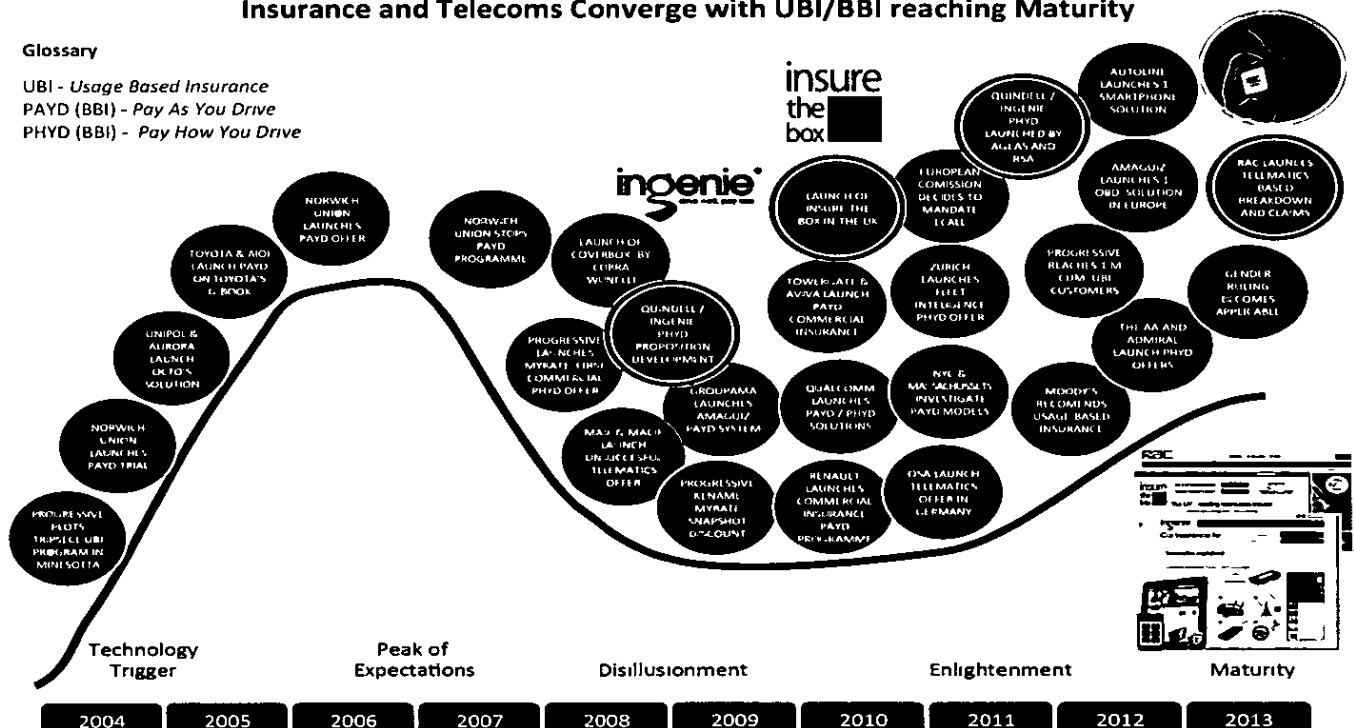
In April 2013, the Group marked its expansion into the North American Insurance market and the formation of Quindell Solutions Inc with its acquisition of Iter8 Inc, a company specialising in providing SaaS based solutions to the direct insurance and broker channels. At the time of the acquisition of Iter8, the Board stated its confidence that Quindell would be able to replicate its UK growth rate in insurance technology sales in North America, and performance to date, together with the growing sales pipelines in this region, particularly for telematics based solutions, for the Group continue to justify the Board's confidence that the Group's technology market leadership, already proven in Europe, is replicable in the North American market.

In May 2013, the Group acquired Quindell Property Services, a newly formed group bringing together a number of businesses owned by the vendors, related to the supply of outsourced property services and SaaS based enabling technologies. This transaction also enabled the Group to increase its shareholding in 360GlobalNet Limited from 19% to 60%. The Group's SaaS based technology and outsourcing property solution 'with you in five' was recently highlighted in the financial results presentation of one of the largest, innovative and influential direct insurers in the UK market. The Group is also now starting to develop what we expect will soon become a significant pipeline of opportunities in a number of the largest insurance markets around the world for this solution.

Insurance and Telecoms Converge with UBI/BBI reaching Maturity

Glossary

UBI - Usage Based Insurance
PAYD (BBI) - Pay As You Drive
PHYD (BBI) - Pay How You Drive



Steve Broughton

Ageas Non-Executive Director, Tesco Underwriting Chairman & Ingenie Chairman



“Quindell's proposition for the market is unique and market leading in technology, consultancy and outsourcing. I look forward to working more closely with the team over the next year as the Company goes through an exciting phase of growth and continues to demonstrate that services can be provided profitably but also cost effectively and ethically for the benefit of the industry as a whole.”

Connected Car and Telematics

The Board believes that the scale of the opportunity of this Division is not fully reflected in current market expectations, particularly with regard to telematics led contracts which in 2013 already represented approaching £40 million of high margin, cash generative revenue for the Group and with more than half from North America

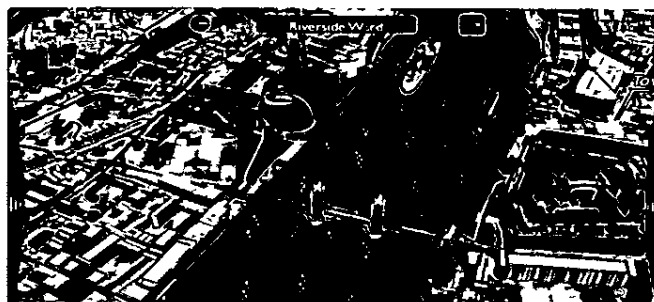
For Quindell, our charter clients for telematics, including our associate ingenie, were more than simply car insurance for young drivers and represented more than 'niche' segments of the market. Rather, they represented a whole new approach to motor insurance, and one that in time has the potential to become mainstream as a result of the superior underwriting results it offers to insurers and the access to reduced premiums that insured drivers can enjoy. Telematics and the concept of a learning solution which enables the insurer to offer reducing premiums is revolutionary for car insurance, but the technique is now accepted, and a tipping point in its application is being reached. This change, we feel, is as significant as telephone sales were for the insurance industry and the resultant success of Direct Line Group.

Globally, the Group's strong positioning is supported by the findings of Ptolemus Consulting, which in its 2013 Global Study into Usage Based Insurance the Quindell/Himex proposition was the only solution out of the 77 providers surveyed that was listed in the top three in all categories: black box, OBD dongle and smartphone. The Group has previously highlighted the opportunity to build a 10 million subscriber base each paying between \$5 to \$15 per month, equating to \$600 million to \$1.8 billion per annum in high margin recurring technology revenues in the medium to long term. This is led by the Group's telematics insurance and its other Connected Car initiatives.

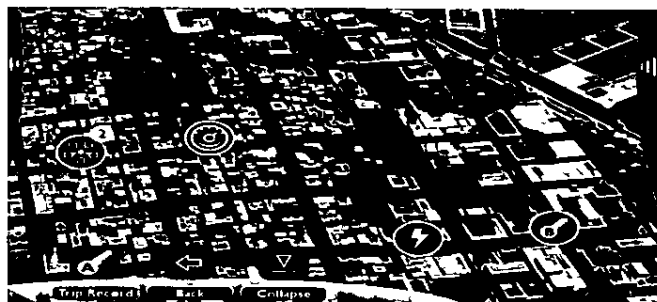
The Group's position in insurance based telematics is already well advanced in the UK where Quindell currently enjoys a dominant market share. Over the last year, the UK market has seen a growth in the number of telematics policies sold by circa 116,000, with ingenie representing approximately 20% of black box insurance growth. Further, in combination with its other clients, the Group is providing technology to leading brands in the telematics space that in combination represent approximately 80% of the growth over the last year in the UK.

In July 2013, the Group announced its 19% investment in Himex Limited, a business focused on delivering disruptive insurance technology solutions enabling game changing usage based insurance propositions that leverage the full insurance value chain. Himex is primarily focused on the US market and this provides significant synergies with Quindell as each business can cross fertilise use of both sets of their technologies to maximise on the global opportunities during this period of land grab and as telematics reaches a critical tipping point in its adoption cycle for insurance.

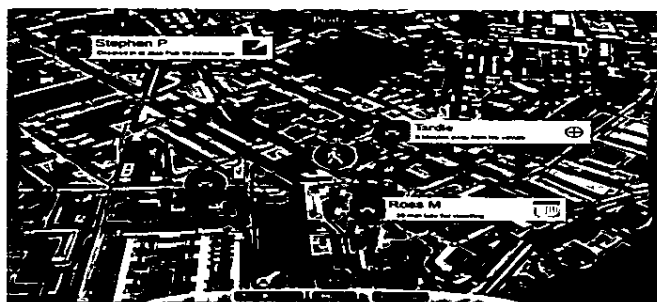
Quindell had been working with Himex to implement an outsourced support service centre in Canada and on certain telematics related supply arrangements supporting the current and future implementations for a number of top-twenty US insurers. Quindell was also appointed during 2013 as Himex's sole and exclusive distributor of Himex's gamification UBI products in the UK, Canada, Brazil and across South America. Leveraging its unique market position in telematics, the Group negotiated a number of significant contracts for its usage and behavioural based insurance solutions in combination with Himex technology in our exclusive territories.



The next generation of the ingenie app will introduce new features based on a 3D 'virtual world'



ingenie customers will get more detailed feedback to help improve their driving and reduce the price of their insurance



For added convenience, customers can opt in to share data with friends and family



The joint venture will provide enhanced breakdown services to RAC members, including remote diagnostics and progress updates for customers who have requested assistance

Of particular significance was the agreement that was reached with the Insurance Brokers Association of Ontario ("IBAO") for telematics technology. Quindell will provide the technology for all of the IBAO's telematics initiatives to its membership base representing circa 12,000 brokers who directly or indirectly along with their insurance partners provide approximately 60% of auto insurance policies in Ontario, representing over 6 million policies. The agreement is valued at over C\$6 million by the end of 2014 and implies more than C\$20 million of technology revenues over the minimum five year exclusive contract term, although the full potential from this agreement to Quindell could be substantially in excess of the C\$20 million.

At the end of October 2013, we announced that RSA and Gore Mutual are first movers for broker-owned telematics in Canada. RSA and Gore Mutual are amongst first movers to the Insurance Brokers Association of Ontario broker-owned telematics offering which is supported by Quindell's technology and outsourcing solutions.

In November 2013 we announced a telematics and outsourcing win with CAA and CAA Insurance, covering circa 1.9 million members in Southern Ontario and with sister organisations across Canada covering a combined 5.8 million members. The contract represented the second of several contracts for Quindell's telematics offering and to date the largest North American deal for Quindell. Based on a 10% to 30% telematics take-up in Canada with automobile association members, there is revenue potential of C\$79m to C\$237m per annum. CAA South Central Ontario (CAA SCO), has also contracted with Quindell to provide their auto club members and insurance customers with new telematics technology and services.

Acquisitions and Strategic Investments

Acquisitions represent a smaller part of the Group's growth strategy in 2014 than in any prior period when compared to the size of the enlarged Group, with any acquisitions during the remainder of the financial year typically being small relative to the size of the Group and likely to be of a tactical or in-fill nature. As previously announced the Group's criteria for acquisitions continues to be as follows:

- The Group remains focused on only making acquisitions that would be earnings enhancing on a standalone basis, before taking into account additional earnings that can be generated by the 'waterfall effect' of using the acquired companies for the Group's existing volumes.
- Only pursuing earnings enhancing opportunities that have already been de-risked by working closely with the business prior to acquisition, and where significant synergistic growth is available.
- Typically paying five to seven times profit after tax with a 12 month future warranted profit and cash generation targets, with claw backs if these warranted targets are not met.
- Only issuing stock in respect of acquisitions at the greater of a 20% premium to current trading price or 17.5 pence, now upgraded to 50 pence per share, with the consideration stock locked-in for between 12 and 36 months and subject to orderly market restrictions.

During the year, the Group also increased its investment in ingenie to circa 43%. Along with this the Group has supported the development of the ingenie brand into Canada along with the over 25's demographic in the UK by a direct 40% investment in two of its new subsidiaries. The Group has high confidence that ingenie will continue to achieve rapid and sustainable growth in both the UK and Canada as a result of its success to date in building its brand and its performance in terms of the underwriting result it is delivering. Prospective partnership discussions have already started with major brands in the UK who in combination represent over 25% of drivers in the UK as well as a number of discussions with core industry participants in the Canadian market, including the IBAO, who directly or indirectly cover over 60% of insurance in Ontario. These partnerships look set to deliver significant volumes to ingenie within a relatively short time frame from launch.



Mark Cliff
CEO Ageas Retail & Distribution
& Chairman of ABI Telematics Working Group



“Ageas and ingenie share the same customer focussed values in terms of delivering service excellence, quality and value for money products. This is the foundation for our successful partnership.”

We understand the need to make insurance affordable for younger drivers and our experience from working with ingenie has proven that telematics is a significant step forward in helping customers achieve lower premiums based on their driving behaviour.



Mark Christer
Regional Sales Managing Director, RSA



“Telematics is a key area of focus for us as a business and ingenie's refreshing approach to engaging with young drivers and focus on generating a sustainable return made them an obvious choice for us to partner with.”

We want to offer affordable insurance to young drivers but at the same time we also want to encourage safer driving and the work we do with them is a great way for us to be able to do this.

Integration

The initial integration of the business has now been completed with further consolidation of the Group's outsourcing teams, such as those involved in call centre and debt collection. These changes provided integration benefits to the Group including those from the integration of businesses within Quindell Health Services (part of its Services Division) in the second half of the year. All significant acquired businesses delivered in line with or significantly ahead of warranted targets. By leveraging Quindell's Champion and Challenger technology to re-engineer its own business processes the Group achieved close to 100% overall efficiency gain in cases per fee earner over the year whilst still seeing an increase in the average recoverable costs settled and a significant reduction from 6.5 to as low as 5 months in the average case settlement period for MOJ portal cases. The volume growth that has been achieved within the legal services business is typically delayed by six weeks before it provides a waterfall effect of additional instructions for the Group's rehabilitation and medical reporting services which have also benefited significantly from re-engineering and volume benefits with the average cost per transaction to process in this business area reducing by approximately 60%. Within Quindell Business Process Services the Group has also seen a circa 100% increase in revenue per capita and a significant improvement in margin now that the business' hire and repair volumes are more evenly matched.

All these significant achievements could not be possible without the benefit of the Group's technology platform, the quality of our people, consultancy led business process re-engineering techniques and the fully integrated business model unique to Quindell. Reflective of the Group's completed integration of its acquired businesses, the Company removed the word 'Portfolio' from its name, becoming "Quindell Plc" in December 2013.

Recent news

Trading in the first quarter of 2014 has continued in an extremely positive manner. The Board believe that current market expectations for its technology revenues are likely to be significantly exceeded in 2014, and that these revenues are expected to grow significantly towards the second half of 2014 as the telematics subscriber base grows within client implementations.

Both the growth in the Group's technology business and the nature of the broking business conducted by ingenie have a very favourable cash profile compared to that of the improving profile of the Group's Services Division, and this is expected to provide further support to the growth in the Services Division, further reducing overall Group trade debtor days

In January 2014, the Group acquired 100% of ACH Manchester and associated companies. The terms of the acquisition were satisfied by the issue of 117,812,500 shares in January 2014 and the payment of £5,000,000 in cash. Prior to acquisition by the Group, ACH Manchester was a referral source to Quindell's Legal Services businesses, with specific sector expertise. Also in January, following receipt of FCA approval for the acquisition of the Crusader Group, 34,285,714 shares were issued together with the payment of £1 million cash to satisfy the terms of this acquisition (100%). Two further payments of £1 million after the end of each of the two annual warranted profit periods will also be payable. 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.

In February 2014, following an analyst and institutional investor teach-in held to explore the strong growth trends being experienced by the Group's Solutions Division, and profiling telematics contracts and the expansion of ingenie into North America, the Group announced the acquisition of a controlling interest in the Himex Group ("Himex"), and a further investment and option over all remaining shares in ingenie Limited. The Group's rationale for acquiring a significant controlling interest in Himex is that it is in live implementations with three out of the top 20 US insurers and in pilots with a further four, as well as being in joint work in the UK and in Canada and seeing initial successes in continental Europe.

The Group increased its investment in Himex in total by 66% to circa 85% by the immediate payment of £23 million in cash and the issue of 325 million Quindell shares, being approximately 5% of the fully diluted share capital of the Company. The transaction ensured that the Group can fully leverage the unique market lead it has been establishing in the UK, Canada and the US. It also helps maximise the potential from the significant traction that the Group is seeing in continental Europe. In addition, it ensures it possesses all the key components to support the distribution arrangement for key territories within Asia and the Middle East which has also now been completed and which it is anticipated will provide a significant first mover advantage in these markets.

Quindell increased its investment in ingenie Limited by 6% to circa 49% and was granted an option from shareholders over all its remaining shares. The terms of the option, which can be exercised up to 31 January 2015, would result in the Group issuing a maximum of 190 million shares to achieve 100% ownership. Since announcing the ingenie option in February 2014, the Group has already accessed new opportunities for Quindell and ingenie to consider that could significantly accelerate the level of growth planned in the US and in Continental Europe beyond previous expectations. These opportunities for major growth, in partnership with leading insurance related brands, will be fully investigated in due course, but are likely to further encourage the activation of the ingenie Option by the end of H1 2014.

On 26 September 2013 the Group acquired a 26% stake in PT Healthcare Solutions Corp ("PT Health") with an option to acquire the remaining 74% of business in exchange for the issue of 242,000,000 shares in the Company. As at 31 December 2013, the Directors concluded that the Group controlled PT Health by virtue of the put and call options (the "Initial Option") that existed 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. On 28 March 2014, without either party having exercised the Initial Option, the Group and PT Health amended their agreement. On 28 March 2014, the Company issued 100,000,000 shares, acquiring a further 23.9% stake in PT Health as part of a share-for-share exchange. A put and call option was also agreed, expiring on 30 June 2014, enabling the acquisition of the remaining equity shares in PT Health by the Group in exchange for 142,000,000 of the Company's shares.

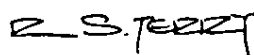
Outlook

The Services Division, and the Solutions Division across all key markets, particularly North America, are experiencing record levels of potential sales pipeline contract value and quantities. These factors, the Group's existing run rate revenues and profits across both divisions, improved cash collection, and the other opportunities that we are signing in the market, underpin the Board's confidence in the Group's future success.

The total quantum of additional new business confirmed since December 2013 is in excess of £480 million, ahead of the target of £450 million per annum set at the time of the fundraise in November 2013, and with margins ahead of guidance. These new contracts are expected to reach full run rate during the first half of 2014.

The Board is pleased that the Group has now achieved the organic growth potential previously indicated. This growth has been achieved whilst being selective about the type of new business we have contracted to ensure the best quality of work, margin potential and cash performance for the Group whilst maintaining our focus on driving down the cost of claims, protecting consumer rights and ensuring the best possible customer experience.

The mix of business that has now been contracted and that can be generated through our own direct and indirect consumer channels ensures that the Group shall have no reliance on any single segment of the market, type of work or referral partner to deliver on its longer term growth potential. Trading in 2014 to date has also been ahead of plan for all key performance indicators, being profitability, cash generation and EBITDA margin. We are determined to ensure we achieve the optimum valuation for the Company's shareholders, the best and most innovative services and technology for our clients, and a great place to work for our staff. All of this gives me and our team, immense confidence in our ability to grow from this platform and continue the success in 2014 and beyond exceeding current market expectations.



Robert Terry
Founder and Executive Chairman

Financial Review

"2013 has been another year of significant progress for Quindell, having completed the majority of our acquisitions in 2012 creating a market leading technology enabled outsourcing platform for the servicing of claims for the UK insurance industry. It has been a year for delivery of new customer wins and organic growth with only 11% of revenue coming from acquired businesses in the year"

At the same time, the Group's Solutions Division has exceeded all market expectations, and has been developing its market leading position in Connected Car solutions (telematics) providing a platform for significant growth in this emerging global market. Already, almost as much Solutions revenue is derived from North America as is achieved in Europe

The Group's financial strength, and the opportunities that it has to capitalise on its market position leads us to increase our longer term Adjusted EBITDA margin guidance by five percentage points for the second time in six months to 30%+ as the strength of our business model is demonstrated"

Laurence Moore
Group Finance Director



Overview

2013 has been another year of significant progress for Quindell, having completed the majority of our acquisitions in 2012 creating a market leading technology enabled outsourcing platform for the servicing of claims for the UK insurance industry. It has been a year for delivery of new customer wins and organic growth with only 11% of revenue coming from acquired businesses in the year. At the same time, the Group's Solutions Division has exceeded all market expectations, and has been developing its market leading position in Connected Car solutions (telematics) providing a platform for significant growth in this emerging global market. Already, almost as much Solutions revenue is derived from North America as is achieved in Europe. The Group's financial strength, and the opportunities that it has to capitalise on its market position leads us to increase our longer term Adjusted EBITDA margin guidance by five percentage points for the second time in six months to 30%+ as the strength of our business model is demonstrated.

	2013 £m	2012 £m	Growth %
Revenue			
Solutions Division	80.4	30.1	167
Services Division	299.7	132.9	126
Group Revenue	380.1	163.0	133
Legal Services Related Sales	18.6	7.2	158
Gross sales (See Note 5)	398.7	170.2	134

Total revenues in the year were £380.1 million compared with £163.0 million for the prior year. Gross sales, which includes disbursements transacted by the Group's legal services business that are provided by non-Group parties, and invoiced on to at fault insurers, increased by 134% from £170.2 million in 2012 to £398.7 million in 2013. The Solutions Division recorded revenues of £80.4 million (21% of Group revenue) during the year, significantly ahead of market expectation and representing year on year growth of 168%. Approximately £39.5 million of this was sales to Europe, £33.8 million sales into North America, a strong area of growth during the year and almost as much as was sold within Europe, and £7.1 million to the rest of the world. The proportion of the Group's Solutions revenues that related to telematics increased significantly during the year to approximately £40 million. This included sales to Himex of £15.1 million, including licencing for onward US distribution of telematics sales and the supply of telematics devices for joint opportunities and sales to the ingenie group of £9.4 million which again included licences, services and devices associated with its supply to underwriters of its telematics insurance solutions.

Other significant clients in this area included insurethebox (together with Drive like a girl), the Canadian Automobile Association, the RAC and Insurance Brokers Association of Ontario as well as Himex led opportunities in the USA. The Services Division, achieved revenues of £299.7 million (79% of Group revenue), an increase of 126% on 2012. £290.3 million of sales were within the UK and £9.4 million was in Canada. The amount of organic new business generated across the Services Division was significant at £157.3 million, including major contracts with the RAC, Direct Line Group, and over 60 other referral sources including one of the UK's largest direct insurers, one of the UK's largest accident management companies and the UK's largest insurance broker.

Profit and margin for the year

	2013 £m	2012 £m	Growth %
Group Operating Profit	108.7	36.4	199
Adjusted EBITDA	137.7	52.2	164
Adjusted EBITDA Margins			
Solutions Division	64%	80%	(16)
Services Division	30%	24%	6
Group	35%	31%	4

Group operating profit was £108.7 million for the year (2012: £36.4 million). Adjusted EBITDA, being Profit before tax, excluding interest, depreciation, amortisation, IFRS 10 adjustment, share based payments and exceptional costs, totalled £137.7 million compared to £52.2 million for the prior year. Overall Adjusted EBITDA margins at 35% were ahead of long term guidance of 25% and prior year of 31%. Within the Solutions Division, blended margins reduced to 64%, but across the main areas of Initial licence fees, SaaS and other and Consulting margins remained strong at 77% and 60% respectively. From an onward guidance viewpoint, these margins for the Solutions Division are now at a long term sustainable position considering the broader geographic and revenue mix of the division. Margins achieved within the Services Division increased by 6 percentage points to 30%, due to increased volumes being handled by the Group's legal services and health operations, where the Division's margins are strongest. The Group's tax charge represents 22.7% of profit before tax compared to the standard rate of UK corporation tax of 23.25%. The tax charge benefited from the lower rate of overseas tax and a reduction in respect of deferred tax rates. Profit after tax for the year was £82.7 million compared to £27.4 million for the prior year.

Application of new accounting standards

At the start of 2013, IFRS 10, the accounting standard relating to Consolidated Financial Statements became effective for the first time. Even though it was not mandatory this year, it was considered prudent to adopt this new standard as part of the Group's preparation for Full Listing with advisors and the need to provide a three year review as part of the listing requirements. The impact of the new standard was primarily in relation to 2012 legal services based acquisitions and the assessment as to the point at which the Group had control over these businesses. In each case, this was from an earlier date than we had originally applied, but in some cases was after the date that the Group's partnering agreement had commenced, being the basis of the results previously presented for 2012. The resultant changes, which also include the consolidation of Accident Advice Helpline in 2012, rather than in 2013 when it legally completed, are described in detail in note 2. Application of this new standard has resulted in no changes to any of our key performance indicators, however the Group's statutory reported numbers for 2012 have changed for the Group, increasing revenue by £25.4 million from £137.6 million to £163.0 million, whilst reducing profit after tax for that year from £31.9 million to £27.4 million. Net assets at 31 December 2012 increased from £253.7 million to £272.2 million and the Group's operating cash flow before interest and tax reduced by £18.3 million to £18.4 million, reflecting the working capital cycle of these business that are now consolidated, and reducing what was largely previously shown as Loans to investments and other parties.

Full analysis of these changes, including our adjusted KPI measures pre and post the IFRS 10 adjustment, is shown in notes 2a and 5.

Exceptional costs and share based payments

Exceptional costs for 2013 totalled £13.7 million. Of these, acquisition costs were £3.0 million and the non-cash loss recorded on the Equity Swap, which was exited by the Group in July 2013, was £5.1 million. Having exited the swap, the Group has no further exposure to its performance and will therefore not be required to take any further exceptional non-cash charges through its Income Statement. A further £1.0 million related to the acquisition costs of IT Freedom (acquired in 2012), which under IFRS is required to be treated as post combination vendor remuneration rather than cost of acquisition as the vendors agreed to 'bad leaver' clauses as part of this acquisition. Share based payments within exceptional costs were £5.5 million. Of this, £4.6 million related to a one-off cost of the warrants issued to the RAC in June 2013. Other share based payment charges comprised of IFRS 2 costs in respect of post combination vendor consideration of £2.5 million (2012: £0.3m) and costs in respect of options of £0.3 million (2012: £nil).

Earnings per share and return on capital employed

Basic EPS was 1.97 pence per share. Adjusted Basic EPS, as defined in note 14, was 2.54 pence per share, growth of 97% and 75% respectively (2012: Basic EPS 1.00 pence and Adjusted Basic EPS 1.45 pence). The Group's return on average capital employed was strong at 23.1% (2012: 22.3%). Before exceptional costs and share based payments, the return was 26.7% and 26.0% for 2013 and 2012 respectively.

Dividends

No dividends were paid during 2013. However, as has been previously stated, the Board is pleased to confirm its decision to pay a maiden dividend to shareholders at a value of 0.1 pence per share. Payment will be made on 2 May 2014 to shareholders on the register as at 11 April 2014. Whilst the Board intends to continue to devote the majority of its cash resources to its operations during this period of continued growth, as previously guided, it also expects to be implementing a progressive dividend policy from 2015 onwards as the Group's operating EBITDA to cash flow ratio normalises following its period of rapid organic growth within the Services Division, and consistent with the long-term earnings potential of the Group.

Acquisitions and investments

Expansion of the Group's product range and extending its sales and service capabilities through acquisition, including extending more significantly into Canada, continued to be an integral part of the Group's medium to long growth strategy during 2013. In total, the consideration for the Group's acquisitions during the year was £128 million. The Group took investments in Himex and Nationwide Accident Repair Group plc, and made investments in new subsidiaries within the ingenie group addressing further telematics insurance markets in the UK, US and Canada. Importantly, the Group also increased its shareholding in ingenie Limited, the parent company of the ingenie group, from 19% to 43% during the year. ingenie has developed significantly both as a brand and as a leading telematics broker during 2013. With this has come a commensurate increase in its value, leading to the Group recognising a net gain on re-measurement within Other income of £4.2 million in 2013 (2012: £0.3 million) as the investment became an associate. This progress at ingenie has been led by typical 49% savings for ingenie customers by renewal and the improvement in underwriting result that can be offered through telematics. The success of their proposition's influence on driver behaviour was also recently recognised, with ingenie being awarded the prestigious Prince Michael International Road Safety Award for 2013.

Goodwill recorded in the Statement of Financial Position at the end of December 2013 totalled £235.6 million of which £181.4 million was in relation to the Group's Services Division and £54.2 million in relation to the Solutions Division. Deferred and contingent payments still to be made in relation to acquisitions as at December 2013 totalled £79.0 million, of which up to £74.5 million of issue value is payable by way of new share issues (up to a fixed 494.4 million new shares over the next three years) and deferred cash of £4.5 million payable between now and July 2015.

Financing and cash flow

The Group has delivered strong growth during 2013 across both Divisions and, as expected, this has required investment in working capital for the Services Division, where cash cycles are traditionally longer. This investment unwinds in subsequent periods as evidenced by cash collections during 2013 of over £270 million, circa 185% of the value of total trade related receivables for the Group as at 31 December 2012.

The Group has maintained its focus on managing its working capital, targeting the generation of strong operating cash flow within the business areas that can support the needs of those other areas where the growth profile places demands on working capital in the short term.

The Group's operating cash inflow for the final quarter for 2013 was ahead of market expectations despite some block settlements with at-fault insurers being completed in the first half of 2014. This over performance was due to strong cash management and debtor controls and in particular, performance ahead of plan regarding cash collection from the Solutions Division. The Group's momentum in operating cash flow generation increased in the second half of 2013 as anticipated with much of the collection now being undertaken by the Group's own specialist debt recovery team, "Compass Law".

	2013 £m	2012 £m	Change %
Cash generated from operations before exceptional costs and IFRS10 adjustment (see note 2)	20.1	38.8	(48)
Adjusted EBITDA to cash flow conversion	15%	74%	(59)

For 2013 as a whole, the Group's operating cash flow was an inflow of £20.1 million before exceptional costs, IFRS10 adjustment, tax and net finance costs (2012 an inflow of £38.8 million). The Adjusted EBITDA to operating cash flow conversion ratio being 15%, ahead of expectations in a period of very strong growth.

Purchases of intangible and tangible fixed assets totalled £23.8 million (2012 £4.2 million) and the net cash consideration of subsidiaries and investments was £31.6 million (2012 £53.2 million). The issue of shares during the year gave rise to an inflow of £200.4 million (2012 £91.0 million). During the year, the Group made loans to investments and other parties of £4.9 million.

The Group's cash balance at the end of 31 December 2013 was £199.6 million. During the year to 31 December 2013, net funds increased from a position of net funds of £17.4 million to £140.2 million.

Debtors management

	2013 £m	2012 £m
Trade related receivables		
Trade receivables	85.6	73.7
Legal disbursements	57.5	26.5
Accrued income	151.7	47.9
Total	294.8	148.1

Total trade related receivables increased by circa 100% during the year to £294.8 million compared to gross sales growth of 134%, demonstrating our significant progress in cash collection, with over 70% of the increase being in accrued income. This increase during the year was attributable to the growth in revenue, primarily in relation to legal services, and was particularly pronounced in the second half of the year, in line with the ramp up of new contracts signed throughout this period.

Trade receivables increased by only 16% year on year despite the strong sales growth of 134%. Cash collected by the Services Division during 2013, the part of the business with longest cash cycles, represented 155% of the total value of trade related receivables for that division as at 31 December 2012. Continued strong cash collection also led to average trade receivables days at 31 December 2013 for the Group being maintained at 4.7 months, compared to 4.8 months as at 30 June 2013, which itself had improved from 6.5 months as at 31 December 2012. This remains exceptionally good for our industry and is only possible due to the strong relationships the Group has with its insurance clients and the ethical stance it takes by lowering the cost of claims for the industry as a whole, targeting over 20% saving compared to industry norms.

The percentage of trade receivables aged one year or over decreased both in quantum and percentage from £30.3 million (43.5%) to £24.3 million (33.2%) year on year as the Group has continued to address these older balances through normal collection processes, block settlements as insurers entered into our collaboration model and in certain instances, as the Group started to take a litigated approach via Compass Costs to collect amounts from the small percentage of the UK insurance market that are not engaging in the Group's collaboration model. The Group's collaboration model for hire and repair continues to move towards the Group's expected take up of 75% and the Board remains extremely confident of reaching this target. Due to the nature of the Group's business, the majority of its debts are due from UK insurers, and the concentration of debt due from any one counter-party is proportionally low.

Accrued income increased from £47.9 million as at 31 December 2012 to £93.0 million by 30 June 2013 and to £151.7 million as at 31 December 2013. This year on year 216% increase was again in line with expectations and against a backdrop of dramatically increased legal services case intake but with overall Total trade related receivables increasing by only 100% during the year compared to gross sales growth of 134%. As with other professional services firms, almost all the Group's legal services revenues remain in accrued income until billed, where upon they are typically settled by the at-fault insurer promptly within 15-30 days. Consistent with industry standards, approximately 55% of accrued income as at 31 December 2013 was within 6 months of initiation of work, and over 80% within 12 months.

Legal disbursements relating to incidental costs incurred on a case, which are recovered at the same time as our fee settlement increased by 117% to £57.5 million year on year, again in line with the growth in volumes handled by the Group. The Group continues to have arrangements in place with external suppliers relating to disbursements incurred, where it is not performing the work itself which broadly mirror the settlement period on its own cases. The disbursement creditor at 31 December 2013 amounted to £44.8 million, 78% of the related disbursement debtor balance.

Capital management and going concern

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

The Group has available to it considerable financial resources, and a robust balance sheet. As at 31 December 2013, the Group had cash of approximately £200 million, and undrawn banking facilities taking the total working capital available to the Group to approximately £220 million. In combination, the Group has sufficient working capital resources available to it to comfortably exceed 4p earnings per share in 2014. During 2013, the Group successfully renewed and extended two of its core banking facilities to April 2015, and extended its third to December 2015. The Group is continuing to work closely with each of its primary providers of debt finance, as well as engaging with other prospective providers of finance to ensure that the Group continues to have the appropriate sources of working capital for the business that are consistent with its plans for the future.

In terms of assessing the Group's resilience, whilst it has no need to, ultimately if required the Group can choose to adjust its capital structure by varying the scale and mix of its trading activities to reduce any requirement to fund working capital. It can also seek to liquidate receivables at a faster rate than normal if it chose to through payment protocols and additional block settlements of debt, although there would likely be a cost in the form of a discount to this.

As a result, the Directors have a reasonable expectation that the Group has adequate resources and business demand drivers to continue in operational existence for the foreseeable future. No material uncertainties related to events or conditions that may cast significant doubt about the ability of the Group to continue as a going concern have been identified by the directors. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

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.

Strategic risk

The take up rate of telematics by consumers globally 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. As a result of these, the Group believes that its solutions are ahead of the rest of the market by a number of years, that the likely adoption rate of telematics and readiness of the market for connected car solutions is strong and that the Group's market position will enable it to maximise on the opportunity.

Technological change

The markets for the Group's services can be affected by technological changes, resulting in the introduction of new products and services, 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.

Key personnel and resources

The success of the Group depends to a large extent upon its current 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.

Regulatory and reputational risks

The Group operates in regulated environments, including parts of the Group that are regulated in the UK by the Financial Conduct Authority and Solicitors Regulation Authority. As a data controller and a business that provides services on behalf of its customers to consumers and individuals, the Group is also subject to risks related to matters such as data processing and security, 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. 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 or expects to do so in the future, 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 its plans and activities accordingly.

The Competition Commission ("CC") is currently reviewing certain aspects of the UK Private Motor Insurance market and is due to report in final form by September 2014. The CC released their provisional findings in December 2013 and is currently in discussion with insurers, claims management companies and other interested parties about their findings. The Group is participating fully in these discussions and assisting the CC in its ongoing evidence gathering.

The Group does not currently believe there are grounds for any fundamental change to the present legal basis and functioning of the UK motor insurance market and is taking appropriate steps to respond to any risks and maximise on opportunities, such as developing its collaboration protocols which it sees as being even more successful in light of the CC's review, leading up to and following the publication of the CC's final report.

Liquidity risk

The Group borrows to principally fund its working capital needs. The timing of receipts from the parties from whom the Group seeks to recover its charges is uncertain and can be protracted. The Group actively forecasts, manages and reports its working capital requirements, including sensitivity analysis on a regular basis to ensure that it has sufficient funds for its operations. The Group is also actively pursuing its collaboration settlement protocol to both speed up and bring greater certainty to the timing of receipts.

Management of growth

The Group's plans to continue its growth will place further demands on its management, administrative processes and deal sourcing resources. In order to minimise this risk, the Group formed its Strategy and Integration Advisory Board, one of the purposes of which is to support business integration, drawing upon the specific skills and experience of its members. The Group has continued to appoint experienced staff across its business into senior roles in order that this risk is managed effectively.

Market conditions

Market conditions, including general economic conditions and their affect 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.



Laurence Moorse
Group Finance Director

Strategic Report

The directors present their strategic report for the year ended 31 December 2013. As noted below, this report also needs to be read in conjunction with the Executive Chairman's Review on pages 10 to 18 together with the Financial Review on pages 19 to 23 and are to be incorporated into this strategic report by reference.

Business review

Comments on the results for the year and future developments are contained in the Executive Chairman's Review. Information is included below in relation to acquisitions and disposals during the financial year.

The Company acts as a holding company, the provider of group management services and is the owner of the Group's head office premises. The principal activities of the Group are sale of software and consulting services, and the provision of technology enabled business process outsourcing services including a complete supply chain offering for personal injury claims, medical reporting, multi-disciplined rehabilitation, accident repair, vehicle hire services and other brand extension services. Customer include brands operating in the following sectors:

- Insurance, Finance, Health and Legal,
- Telecoms, Utilities, Retail and E-commerce, and
- Government and Public Sector

The position of the Group at the end of the year is set out in detail in the financial statements and accompanying notes together with a commentary in the Financial Review on pages 19 to 23.

Key performance indicators

The Board uses a number of measures to determine the performance of the Group. Of these, the principle key performance indicators are:

As defined in the Consolidated Income Statement on page 32, or for adjusted measures see Note 5.

Revenue	£380.1 million (2012 ¹ : 163.0 million)
Gross Profit Margin (on Gross Sales)	46% (2012 ¹ : 42%)
Adjusted EBITDA	£137.7 million (2012 ¹ : £52.2 million)
Adjusted Profit Before Taxation	£133.7 million (2012 ¹ : £49.2 million)
Adjusted Basic Earnings Per Share	2.54 pence per share (2012 ¹ : 1.45 pence per share)
Adjusted Operating Cash Flow	£20.1 million inflow (2012 ¹ : £38.8 million inflow)

Notes

1 2012 comparatives restated – See Note 2a

Acquisitions and disposals

During the year the Group made 6 acquisitions (2012: 14 acquisitions). Details of these are given in the Executive Chairman's Review on pages 10 to 18 together with the Financial Review on pages 19 to 23. Additional information is also given in note 35 to these financial statements. Further information on acquisitions since the end of the year is given in note 38 to these financial statements.

Equity Swap

In December 2012, the Company issued approximately 97.1 million shares to a third party in exchange for £17 million. At the same time, the Group entered into an equity swap (the "Equity Swap") with the third party as part of the funding for the acquisition of Abstract Legal Holdings Limited, it being deemed to be the least dilutive funding mechanism at that time. The amount of cash the Group received over the life of the Equity Swap was proportionate to the Company's average share price during such periods as the swap operated. The Equity Swap was recorded in the Statement of Financial Position at fair value, with any change in the fair value recognised immediately in the income statement. The Group recognised total losses of £5.1 million relating to such movements in 2013 (2012: £2.3 million). On 1 August 2013, the Group exited the Equity Swap, using it as part consideration for its investment in Himex Limited.

The values recorded in the Statement of Financial Position as at 31 December 2013 and 2012 were £nil and £13.3 million respectively. The values recorded in the Cash Flow Statement for the years ended 31 December 2013 and 2012 were £3.2 million, being the amount of cash received by the Group for the period the swap operated during 2013, and £15.6 million, being the net cash flow associated with entering into the Equity Swap in 2012, respectively. A further £17.0 million of cash received, being in respect of the shares issued to the third party, was also recorded in 2012.

Risks

There are a number of potential risks and uncertainties which could have a material impact on the Group's long-term performance and which could cause actual results to differ from those expected. Those considered by the directors to be the principal risks facing the Group are set out on pages 22 to 23. Further details of mitigating factors relating to financial risk are also described in note 32 to these financial statements. The Group's internal controls systems, including the system of assessment and management of risk, are described in the corporate governance report on page 28.

Employees

Further information in relation to employees of the Group is included in the Directors report on pages 29 to 30.

By order of the board



Laurence Moore
Group Finance Director
29 March 2014

Board of Directors

Robert Terry (aged 45)

Founder and Executive Chairman



Following a period as an independent management consultant for a number of multinational companies (primarily in the legal, banking and insurance industries including with Nabarro and RBS), Robert founded SCS Consulting Limited, specialising in the integration of various document management and workflow packages with customers' line of business systems

After the sale of SCS in 1997 to Lava Systems Inc, Robert founded The Innovation Group Plc which floated on the London Stock Exchange in June 2000. Robert oversaw the growth of The Innovation Group to two thousand employees and grew revenues to over £100 million per annum. Robert left The Innovation Group in 2003, to develop the business of Quindell.

Laurence Moore (aged 40)

Group Finance Director



Laurence has worked at senior finance and board level for international groups across a broad range of sectors including the software, outsourcing, telco and engineering industries.

Having started his career in 1994 at Deloitte, he joined the Innovation Group Plc in 2000 where he held a number of senior positions including UK Finance Director, Group Company Secretary and Chief Financial Officer. Laurence left the Innovation Group in 2006 to work with a portfolio of companies including Quindell and Telsis, the latter of which he joined as CFO. In 2009 Laurence left Telsis to become Group Financial Controller at Hamworthy Plc, joining Quindell two years later in July 2011 as Group Finance Director. Laurence has an MSc in International Securities Investment and Banking, and is a Chartered Accountant and Chartered Company Secretary.

Anthony Bowers (aged 61)

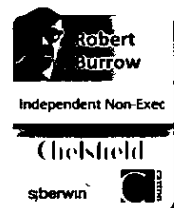
Senior Independent Non-executive and Vice Chairman



Anthony Bowers is a Fellow of the Institute of Chartered Accountants in England and Wales and a Member of the Chartered Institute of Taxation. He is also a past-President of the Southern Society of Chartered Accountants in England and Wales. Tony was a Partner with Deloitte for 23 years until his retirement in November 2008, where he specialised in dealing with companies, shareholders and directors on a number of aspects of business and taxation. Tony was also a key adviser to The Innovation Group from 2000 to 2004 and has been an adviser to Quindell since 2000.

Robert Burrow (aged 63)

Independent Non-executive director



Robert qualified as a solicitor in 1975 and was a partner of SJ Berwin LLP from 1985 to 2007. He has extensive experience in international mergers and acquisitions. Robert is also a non-executive director of Caxton Global Investments Limited. He is also non-executive chairman of Tintagel International Limited and Chief Executive of Chelsfield Partners LLP.

Stephen Scott (aged 61)

Independent Non-executive director



Steve is a Chartered Director who previously worked for The Innovation Group from August 1999 to December 2006. Steve has been in the IT industry for over 36 years, beginning his career as a software developer and then moving into marketing and operations, most notably with Nixdorf Computer Limited from 1979 to 1992. In 1992, he became manager of ACT Financial Systems Limited's insurance unit.

In 1994, Steve was appointed to the board of ACT and in the following year joined CMG. In 1997, he joined the UK board of CMG as director responsible for the finance sector. In August 1999, he left CMG to join the board of The Innovation Group as Commercial Director.

Robert Bright (aged 64)

Independent Non-executive director



Robert has over 35 years of managerial experience within the insurance industry, with over 25 years as part of the HSBC senior management team. In 2005 Robert structured the sale of The OutRight Company to Fortis Group (now Agas), at a substantial premium, at which point he became Non Executive Director on the Board responsible for RIAS plc and a range of its products. Robert has continued this role with Agas UK Limited and is on the Main UK Board as Non Executive Director responsible for retail operations, which includes KwikFit Insurance.

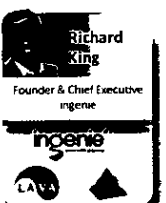
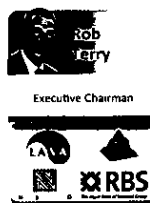
Robert Cooling (aged 56)

Independent Non-executive director



Vice Admiral Robert Cooling, CB, has been a Member of Strategy and Integration Advisory Board at Quindell Plc since 30 March, 2012. Bob recently completed a distinguished career in the Royal Navy spanning 33 years during which he commanded four ships including the aircraft carrier HMS Illustrious. Immediately prior to his retirement he was the Chief Operating Officer for NATO's strategic command in the USA where he led an internationally acclaimed change management and transformation programme supporting the Alliance's front line operations worldwide. In this capacity, he was directly responsible for €110 million operating budget and a multi-national civilian and military staff of 1200, spread over two continents and 28 nations.

Single Integrated Executive Management Team



Directors' Remuneration Report

AIM companies are not required to prepare a formal remuneration report in accordance with Part 15 the Companies Act 2006 or the Listing Rules of the Financial Services Authority. However, the Company has prepared this report in order to enable a better understanding of directors' remuneration. The information included in this report is unaudited.

Remuneration committee

The remuneration committee consists exclusively of independent non-executive directors and its members are Anthony Bowers (Chairman), Robert Burrow, and Stephen Scott. It meets at least once each year and has delegated responsibility for making recommendations to the Board regarding the remuneration and other benefits of the executive directors and senior executives.

Remuneration policy

The Board's policy is to recruit, motivate and retain senior executives of high calibre by rewarding them with competitive but responsible salary and benefit packages. A significant proportion of executive remuneration is intended to be performance-related, both short-term and long-term. This includes participation in share incentive schemes which are closely aligned with the interests of shareholders.

The remuneration packages for executive directors comprise 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.

In addition, it is the Group's intention that remuneration packages for executive directors will also include the following in due course:

- retirement benefits under a company defined contribution pension scheme, and
- other benefits.

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 shares.

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 the annual cash bonus scheme under which bonuses of between 0% and 120% of basic salary for the Executive Chairman and 0% to 75% for the Group Finance Director could be payable. Bonuses are awarded following consideration of the performance of the Group, achievement of adjusted earnings per share targets and the individual's contribution to that performance.

Long term incentives

The Board has granted share options to reward performance and align the interests of executives with those of shareholders. Share options have been and will be granted at the discretion of the committee, with the exercise of options being subject to the committee's performance criteria set at the time of the original award.

Retirement and other benefits

Neither of the executive directors are members of any company funded pension schemes, and whilst entitled to receive them, neither are currently in receipt of any other benefits such as private healthcare insurance.

Service contracts

Service agreements for executive directors are for no fixed term and are terminable on 12 months' notice from the Company or from the director. There are no provisions for compensation in the event of early termination. Should such an occasion arise, 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 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 three months' notice. Fees payable under the terms of their appointments are shown in the table opposite.

Directors' emoluments

The remuneration of the directors, including the highest paid director who was the Executive Chairman, was as follows (See Note 11)

	Salary and fees £'000	Annual cash bonus £'000	Total 2013 £'000	Total 2012 £'000
Executive				
R Terry	600	720	1,320	890
L Moore	246	184	430	342
	846	904	1,750	1,232
Non-executive				
A Bowers ⁽⁵⁾	44	-	44	34
R Bright ⁽¹⁾	10	-	10	-
R Burrow ⁽²⁾	29	-	29	25
R Cooling ⁽¹⁾	10	-	10	-
S Scott ^{(2) (5)}	29	-	29	22
J Cale ^{(2) (3)}	20	-	20	23
Total	988	904	1,892	1,336

Notes

- 1 Appointed on 30 September 2013
- 2 Non-executive director fees were paid to companies connected to these directors (See Note 37)
- 3 Resigned on 30 September 2013
- 4 No amounts were paid during the year as compensation for loss of office
- 5 Also provided services to the Group (See note 37)

Directors' interests in shares

The interests of the directors in the ordinary shares of the Company were as follows

	31 Dec 2013 ⁽²⁾	31 Dec 2012 ⁽³⁾
R Terry ⁽¹⁾	684,000,000	683,000,000
L Moore	17,850,000	17,600,000
A Bowers ⁽¹⁾	1,337,415	1,237,415
R Bright	1,850,611	1,095,644
R Burrow ⁽¹⁾	15,775,000	15,775,000
R Cooling	7,000,000	7,000,000
S Scott ⁽¹⁾	76,594,884	76,594,884
J Cale ⁽¹⁾	81,499,729	81,499,729

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

	31 Dec 2013 ⁽⁴⁾	31 Dec 2012
L Moore	18,750,000	-

Notes

- 1 Holding includes shares held as family interests or by virtue of their position as beneficiary or potential beneficiary of certain trusts of companies
- 2 Or date of resignation if earlier
- 3 Or date of appointment if later
- 4 Granted on 21 November 2013 with an exercise price of 16.00 pence which, subject to certain performance conditions (see Note 27 to the Financial Statements), will vest annually in three equal tranches commencing 1 July 2014. The exercise periods for these options ends on 30 June 2019

There have been no changes to the interests in shares of the directors since 31 December 2013 other than R Cooling who purchased a further 281,000 shares on 22 January 2014. The mid market price of the Company's ordinary shares at 31 December 2013 was 19.5p and the range during the year 1 January 2013 to 31 December 2013 was 6.0p to 19.5p

This report was approved by the board of directors on 29 March 2014 and signed on its behalf by



Anthony Bowers
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 Financial Reporting Council 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. The Board of directors comprises two executive directors and five independent non-executive directors, one of whom, Anthony Bowers, is the senior independent director.

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 three committees: audit, remuneration and nomination. The Company Secretary is secretary to each committee.

Audit committee

The audit committee consists of Anthony Bowers and Stephen Scott. Up until his resignation, Jason Cale was also a member of the Committee. The Committee is chaired by Anthony Bowers. 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 consists of Anthony Bowers, Robert Burrow and Stephen Scott and is chaired by Anthony Bowers. Up until his resignation, Jason Cale was also a member of the Committee. It meets at least once 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 Executive Chairman is invited to participate in the committee's deliberations on all matters except consideration of his own compensation. The committee's report is set out on pages 26 to 27.

Nomination committee

The nomination committee consists of Robert Burrow and Stephen Scott and is chaired by Stephen Scott. Up until his resignation, Jason Cale was also a member of the Committee. 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.

Shareholder relations

The Company meets with institutional shareholders and analysts as appropriate and uses its website to encourage communication with private, existing and prospective shareholders. Quindell Plc welcomes feedback from investors about its published reports and website. Please address your feedback to our investor relations team by e-mail to investorinfo@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 the guidance published by the Institute of Chartered Accountants in England and Wales. 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 of directors' 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 22.

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2013

Company name

On 2 December 2013 at a General Meeting, the Company changed its name from Quindell Portfolio Plc to Quindell Plc

Creditor payment policy

It is the Group's policy to agree terms with each supplier and then, on production of a valid invoice, pay according to those terms. The average number of days credit taken for trade purchases for the year ended 31 December 2013 was 99 days (2012: 89 days)

Charitable and other donations

The Group did not make any charitable or political donations in the year (2012: £nil)

Research and development

Comments on research and development activities are contained in the Executive Chairman's Review on pages 10 to 18 together with the Financial Review on pages 19 to 23. Further information is included in Notes 3 and 12 to these financial statements

Dividends

The directors have confirmed a final ordinary dividend in respect of the current year of 0.1 pence per share (2012: nil). This has not been included within other payables as it was not approved before the year end. The Company did not pay a dividend during the year (2012: nil)

Capital structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 27 to these financial statements. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. There are no specific restrictions either on the size of a holding or on the transfer of shares within the general provisions of the Articles of Association. During 2012 a licence was granted to operate Quindell Legal Services Limited as an Alternative Business Structure ("ABS") to provide legal services; any shareholding in the Company at or above 10% has to be approved by the Solicitors Regulation Authority.

Since May 2011 when the Company was re-listed on Aim, approximately 3.0 billion shares have been issued (primarily in connection with acquisitions) under arrangements whereby the shareholders were subject to lock in provisions for between six months and three years. As at the date of this report, approximately 12 per cent of the then issued share capital of the Company is still under these lock in arrangements.

As at the date of this report there are employee share schemes in place. Further information is included in note 27. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Further information is included in Notes 27 and 28 to these financial statements in relation to the Company's own ordinary share capital being held by one of its consolidated entities, PT Health, at the year end. The number and value of shares is included in these notes including an explanation of the transaction which led to the shares being treated as treasury shares at the year end. There were no other transactions where the Company held its own ordinary shares during the year and no such shares were sold or cancelled during the year.

With regard to the appointment and replacement of directors, the Company is governed by its articles of association, the Companies Acts and related legislation and observance of the UK Corporate Governance Code. The articles of association may be amended by special resolution of the shareholders.

Financial instruments

At the end of the year the group does not have complex 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 these financial statements. Further information is also included in Note 33 in relation to a derivative financial instrument (an equity swap) held during the financial year (expired prior to the end of the year).

Directors and Company Secretary

The names of the current directors, together with brief biographical details, are shown on page 25. On 30 September 2013 Jason Cale resigned as a non-executive director. On the same date Robert Bright and Vice Admiral Robert Cooling were appointed as non-executive directors. On 1 July 2013 Ian Farrelly 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 37, Related Parties. Other than as described in that note, there were no contractual relationships between the directors and companies with which they are connected and the Quindell Plc group of companies during the year.

Directors' remuneration

Details of the remuneration of directors and their interests in the share capital of the Company are provided in the Directors' remuneration report on pages 26 to 27. 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.

Significant interests

Other than the interests of directors disclosed in the directors' remuneration report, the Company had been notified at 28 March 2014 of the following substantial interests in the Company's issued ordinary share capital

Registered holder	Number of ordinary shares	% of issued share capital
M&G Investments (Prudential)	437,500,000	7.07%

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.

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 of the London Stock Exchange 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.

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.

Auditors

The Company's independent external auditor, KPMG LLP, was appointed in October 2013. In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



Laurence Moorse
Group Finance Director
29 March 2014

Independent Auditor's Report

To The Members of Quindell Plc

We have audited the financial statements of Quindell Plc (formerly Quindell Portfolio Plc) for the year ended 31 December 2013 set out on pages 32 to 93. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 30, 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.

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice,
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

W. Smith

William Smith (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

Dukes Keep, Marsh Lane, Southampton, Hampshire SO14 3EX

29 March 2014

Financial Statements

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2013

			Restated See Note 2a
	Note	2013 £'000	2012 £'000
Revenue			
- Solutions		80,441	30,068
- Services		299,690	132,936
		380,131	163,004
Cost of sales		(197,815)	(91,216)
Gross profit		182,316	71,788
Administrative expenses			
- Normal		(61,441)	(29,591)
- Share based payments		(2,819)	(272)
- Exceptional costs	8	(13,744)	(5,803)
- Total administrative expenses		(78,004)	(35,666)
Other income	9	4,186	336
Share of results of associates		242	(19)
Group operating profit	7	108,740	36,439
Finance income	12	383	153
Finance expense	12	(2,077)	(1,233)
Profit before taxation		107,046	35,359
Taxation	13	(24,350)	(7,964)
Profit for the year		82,696	27,395
Attributable to			
Equity holders of the parent		82,949	27,302
Non-controlling interests		(253)	93
		82,696	27,395
		pence	pence
Basic earnings per share	14	1 971	1 005
Diluted earnings per share	14	1 952	0 998

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2013

	2013 £'000	Restated See Note 2a 2012 £'000
Profit after taxation	82,696	27,395
<i>Items that may be reclassified in the Consolidated Income Statement</i>		
Exchange differences on translation of foreign operations	(4,237)	(1)
<i>Fair value movements on available for sale assets</i>		
Fair value increase on available for sale assets	4,186	336
<i>Fair value movements on available for sale assets taken to the Consolidated Income Statement</i>		
Previous fair value gain recognised in the Consolidated Income Statement in respect of an investment becoming an associate on a stepped acquisition	(4,186)	-
Previous fair value gain recognised in the Consolidated Income Statement in respect of an associate becoming a subsidiary on a stepped acquisition	-	(336)
Total comprehensive income for the year	78,459	27,394
Attributable to		
Equity holders of the parent	78,712	27,301
Non-controlling interests	(253)	93
	78,459	27,394

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Shares to be Issued £'000	Other reserves £'000	Foreign currency translation reserve £'000	Non- controlling interest £'000	Retained earnings £'000
At 1 January 2013 Restated ¹	36,216	102,026	74,318	30,178	(1,188)	(1)	275	30,336
Profit for the year	-	-	-	-	-	-	(253)	82,949
Other comprehensive income	-	-	-	-	-	(4,237)	-	-
Issue of share capital	20,484	226,744	50,381	(30,178)	-	-	-	-
Directly attributable costs incurred in issuing of equity shares	-	(10,593)	-	-	-	-	-	-
Shares to be issued	-	-	-	54,151	-	-	-	-
Shares treated as held in treasury (See Note 28)	-	-	-	-	(5,209)	-	-	-
Share based payments	-	-	-	-	7,395	-	-	-
Transfer of prior year gain on sale of shares held in treasury	-	3,231	-	-	-	-	-	(3,231)
Non-controlling interest at acquisition	-	-	-	-	-	-	3,838	-
Cost of acquiring non-controlling interest	-	-	-	-	-	-	(114)	-
At 31 December 2013	56,700	321,408	124,699	54,151	998	(4,238)	3,746	110,054
At 1 January 2012	20,041	8,145	25,825	106	54	-	(3)	307
Profit for the year	-	-	-	-	-	-	93	27,302
Other comprehensive income	-	-	-	-	-	(1)	-	-
Issue of share capital	16,175	98,878	48,493	(106)	(1,514)	-	-	-
Shares to be issued	-	-	-	30,178	-	-	-	-
Directly attributable costs incurred in issuing of equity shares	-	(4,997)	-	-	-	-	-	-
Gain on sale of shares held in treasury	-	-	-	-	-	-	-	3,231
Cancellation of share options in subsidiary	-	-	-	-	-	-	-	(624)
Share-based payments	-	-	-	-	272	-	-	120
Non-controlling interest at acquisition	-	-	-	-	-	-	3,276	-
Cost of acquiring non-controlling interest	-	-	-	-	-	-	(3,091)	-
At 31 December 2012 Restated ¹	36,216	102,026	74,318	30,178	(1,188)	(1)	275	30,336

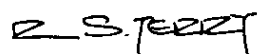
Note 1 Restated - See Note 2a

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2013

			Restated See Note 2a
	Note	2013 £'000	2012 £'000
Non-current assets			
Goodwill	15	235,621	144,570
Other intangible assets	15	55,659	29,639
Property, plant and equipment	17	9,357	7,296
Interests in associates	18	49,869	-
Investments	19	3,188	7,143
		353,694	188,648
Current assets			
Inventories	20	318	160
Trade and other receivables	21	327,873	177,871
Cash	22	199,596	48,050
		527,787	226,081
Total assets		881,481	414,729
Current liabilities			
Bank overdraft	24	(19,642)	(15,871)
Borrowings	24	(26,501)	(6,280)
Trade and other payables	23	(125,942)	(95,238)
Corporation tax		(24,346)	(7,460)
Obligations under finance leases	25	(610)	(479)
Deferred tax liabilities	26	(56)	(533)
		(197,097)	(125,861)
Non-current liabilities			
Borrowings	24	(11,961)	(7,475)
Trade and other payables	23	(1,896)	(6,032)
Obligations under finance leases	25	(661)	(568)
Deferred tax liabilities	26	(2,348)	(2,633)
		(16,866)	(16,708)
Total liabilities		(213,963)	(142,569)
Net assets		667,518	272,160
Equity			
Share capital	27	56,700	36,216
Share premium account	28	321,408	102,026
Merger reserve	28	124,699	74,318
Shares to be issued	28	54,151	30,178
Other reserves	28	998	(1,188)
Foreign currency translation reserve		(4,238)	(1)
Retained earnings		110,054	30,336
Equity attributable to equity holders of the parent		663,772	271,885
Non-controlling interests		3,746	275
Total equity		667,518	272,160

The financial statements of Quindell Plc, registered number 5542221, on pages 32 to 93 were approved and authorised for issue by the board of directors on 29 March 2014 and signed on its behalf by



R S Terry
Director



L Moorse
Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2013

			Restated See Note 2a
	Note	2013 £'000	2012 £'000
Cash flows from operating activities			
Cash generated from operations before exceptional costs, net finance expense and tax	30	10,433	20,459
Cash outflow from exceptional costs		(7,268)	(2,101)
Cash generated from operations before net finance expense and tax		3,165	18,358
Net finance expense paid		(1,694)	(1,235)
Corporation tax paid		(10,409)	(2,514)
Net cash (used by)/generated from operating activities		(8,938)	14,609
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,484)	(1,317)
Purchase of intangible fixed assets		(21,359)	(2,899)
Proceeds on disposal of property, plant and equipment		360	36
Proceeds from sale of subsidiary undertaking and sale of operations	36	2,480	-
Acquisition of subsidiaries net of cash acquired		(11,533)	(49,072)
Purchase of associated undertakings		(20,068)	-
Purchase of fixed asset investments		-	(4,101)
Deposits held in escrow		(1,500)	-
Loans to investments and other parties		(4,898)	-
Dividends received from associates		109	-
Net cash used in investing activities		(58,893)	(57,353)
Cash flows from financing activities			
Issue of share capital		200,406	90,953
Finance lease repayments		(635)	(888)
Additional/(repayment of) secured loans		12,125	(3,790)
Additional unsecured loan monies received		518	520
Receipts/(payments) on Equity Swap		3,192	(15,583)
Net cash generated from financing activities		215,606	71,212
Net increase in cash and cash equivalents	31	147,775	28,468
Cash and cash equivalents at the beginning of the year	22	32,179	3,711
Cash and cash equivalents at the end of the year	22	179,954	32,179

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 24.

On 2 December 2013 at a General Meeting, the Company changed its name from Quindell Portfolio Plc to Quindell Plc.

2. ADOPTION OF NEW AND REVISED STANDARDS

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

Standards affecting the financial statements – both early adopted by the Group

IFRS 10 Consolidated Financial Statements (2011)

IFRS 12 Disclosure of Interests in Other Entities

Additional information is given in note 2a below in relation to the quantification of the impact of adopting the above standards.

Standards and interpretations not significantly affecting the reported results or the financial position

Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities (effective for periods beginning on or after 1 January 2013)

IFRS 11 Joint Arrangements

IFRS 13 Fair Value Measurement (effective for periods beginning on or after 1 January 2013)

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income (effective for periods beginning on or after 1 January 2013)

IAS 19 Employee Benefits (2011)

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets (2013)

IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures

All amendments issued to IFRS 10, IFRS 11, IFRS 12 and IAS 27 have also been applied. Annual improvements issued for 2010-2012 and for 2011-2013 have been considered and applied.

Where any additional disclosure requirements were identified from these standards, the appropriate disclosures have been included in the notes to the accounts.

Accounting standards not yet effective

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not been adopted by the EU):

IFRS 9	Financial Instruments (effective for periods beginning on or after 1 January 2018 but is yet unendorsed)
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures (effective for periods beginning on or after 1 January 2015)
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities (effective for periods beginning on or after 1 January 2014)
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting (effective for periods beginning on or after 1 January 2014)

The Directors do not anticipate that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Group.

2A. IMPACT OF PRIOR YEAR ADJUSTMENT ("PYA") TOGETHER WITH NEW AND REVISED STANDARDS

A package of five standards on consolidation, joint arrangements, associates and disclosures was issued by the International Accounting Standards Board in May 2011. Four of these have been identified above as being applicable to the Group (IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011)) and the other, IAS 27 (as revised in 2011) Separate Financial Statements, is not applicable to the Group as it deals only with separate financial statements. Subsequently, amendments to IFRS 10, IFRS 11 and IFRS 12 were also issued to clarify certain transitional guidance on the first-time application of the standards. The standards are effective for periods beginning on or after 1 January 2014 but are available for early adoption.

Accordingly, the Group has adopted these standards for the first time in the current year. IFRS 11 and IAS 28 (as revised in 2011) have had no material impact on the financial result or financial position. The impact of the remaining new standards is discussed below.

Application of IFRS 10 Consolidated Financial Statements (2011)

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control 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. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The Group, through its subsidiary Quindell Legal Services Limited, was granted permission to operate as an Alternative Business Structure with effect from 21 December 2012. Prior to being permitted to perform legal based services in its own right, the Group entered into partnering agreements with four businesses operating in the legal sector, the equity of three of which it acquired during December 2012 (Silverbeck Rymer, Pinto Potts and The Compensation Lawyers), with the equity of the remainder acquired in April 2013 (Accident Advice Helpline ("AAH")). Under IAS 27, the group accounted for the businesses as subsidiaries from the date at which it acquired their equity.

Following their assessment of these partnering agreements, the Board has determined that under IFRS 10, the point at which control passed in each of these acquisitions was earlier than the date on which it acquired their equity but, in some cases, later than the date that the partnering agreement commenced. On that basis, the acquisition date of AAH under IFRS 10 has been determined to be 24 July 2012 rather than 9 April 2013. The acquisition date for the remaining three legal businesses has been changed to be earlier in 2012 than was the case when applying IAS 27 (as set out in note 35).

The comparative amounts for 2012 have been re-stated to reflect the earlier date of acquisition of these subsidiaries. The effect of the restatement is to remove the previously recorded net income from the partnering arrangement for the period in which they are controlled under IFRS 10, remove the investment in AAH recorded in the balance sheet at 31 December 2012, consolidate the income statements of the subsidiaries for the period in which they were controlled under IFRS 10, consolidate the balance sheet of AAH at 31 December 2012, and restate the acquisition accounting for the subsidiaries at their revised acquisition date. The effect of the restatement is set out in notes 2b to 2e.

Prior Year Adjustment – Share based payments for acquisition consideration treated as vendor remuneration

A portion of contingent consideration previously treated as a cost of acquisition (and shown within Goodwill) in respect of IT Freedom Limited acquisition on 24 May 2012 was payable only if certain employees remained in employment with the Group post acquisition. In accordance with IFRS 3, the prior year acquisition, has been restated to reflect that the consideration should be treated as post combination vendor remuneration.

As a consequence Goodwill arising in 2012 has been reduced by £4.8 million and £0.8m of administrative cost charges have been recognised in 2012 (£0.3 million of which relates to share based payments and the balance to cash remuneration) and £1.4m in 2013 (£0.4 million of which relates to share based payments and the balance to cash remuneration). Future administrative cost charges are expected to be recorded in 2014 and 2015.

Further information is included in notes 8, 27 and 35 regarding this item. The financial statement line items impacted by this prior year adjustment can be seen in notes 2b to 2d on the following pages. There is no impact on the 2012 Consolidated Cash Flow statement from this adjustment other than reclassification of share based payments between operating profit and cash generated from operations.

Prior Year Adjustment – Fair value of consideration

In accordance with IFRS 3, the consideration transferred in a business combination is stated at its fair value at the acquisition date. In the prior period, shares were issued in respect of the Accident Advice Helpline, Legal Services and Quintica acquisitions that were subject to certain restrictions. The fair value of those shares used in the acquisition accounting in the prior year did not take into account those restrictions. The prior year acquisitions have therefore been restated to reduce the fair value of consideration paid for those acquisitions to its fair value at the acquisition date. This adjustment reduces Goodwill (via reduced consideration) and Share Premium by £12.0m at 31 December 2012. There is no other impact of this restatement. Note 2d below includes £11.5 million of this adjustment in relation to the acquisitions of Accident Advice Helpline and the Legal Services businesses in their restated acquisition accounting in the IFRS 10 adjustment column with the remaining £0.5 million included in the IFRS 3 column.

Prior Year Adjustment – Cash Flow Statement of treatment of Equity Swap

In the prior year the cash flows associated with the Equity Swap were treated as an investing activity. As disclosed in the current year Strategic Report and in the 2012 financial statements, the Equity Swap entered into by the Group was linked to the acquisition of Accident Advice Helpline. As a consequence the cash flows associated with the swap have been treated as financing activities in the current year and the comparative cash flow statement has been restated accordingly. There is no overall net impact on the 2012 Consolidated Cash Flow Statement.

Application of IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in some further extensive disclosures in the consolidated financial statements.

2B. IMPACT OF NEW AND REVISED STANDARDS: CONSOLIDATED INCOME STATEMENT

	2013 £'000	2012 £'000	IFRS 3 adjustment £'000	IFRS 10 adjustment £'000	Restated 2012 £'000
Revenue	380,131	137,558	-	25,446	163,004
Analysed as					
- Solutions	80,441	30,068	-	-	30,068
- Services	299,690	107,490	-	25,446	132,936
Cost of sales	(197,815)	(69,562)	-	(21,654)	(91,216)
Gross profit	182,316	67,996	-	3,792	71,788
Administrative expenses					
- Normal	(61,441)	(20,702)	-	(8,889)	(29,591)
- Share based payments	(2,819)	-	(272)	-	(272)
- Exceptional costs	(13,744)	(5,265)	(538)	-	(5,803)
- Total administrative expenses	(78,004)	(25,967)	(810)	(8,889)	(35,666)
Other income	4,186	336	-	-	336
Share of results of associates	242	(19)	-	-	(19)
Group operating profit	108,740	42,346	(810)	(5,097)	36,439
Finance income	383	127	-	26	153
Finance expense	(2,077)	(1,232)	-	(1)	(1,233)
Profit before taxation	107,046	41,241	(810)	¹ (5,072)	35,359
Taxation	(24,350)	(9,339)	-	1,375	(7,964)
Profit for the year	82,696	31,902	(810)	¹(3,697)	27,395
Attributable to					
Equity holders of the parent	82,949	31,809	(810)	(3,697)	27,302
Non-controlling interests	(253)	93	-	-	93
	82,696	31,902	(810)	(3,697)	27,395
Adjusted Profit before taxation excluding IFRS 10 adjustment and Adjusted EBITDA excluding IFRS 10 adjustment					
Profit before taxation	107,046	41,241	(810)	¹ (5,072)	35,359
Depreciation	2,220	1,976	-	-	1,976
Amortisation	7,265	2,649	-	571	1,220
Exceptional costs	13,744	5,265	538	-	5,803
Share based payments	2,819	-	272	-	272
Net finance expense	1,694	1,105	-	(25)	1,080
Adjusted EBITDA including IFRS 10 adjustment	134,788	52,236	-	(4,526)	47,710
IFRS 10 adjustment	2,863	-	-	4,526	4,526
Adjusted EBITDA excluding IFRS 10 adjustment	137,651	52,236	-	-	52,236
Profit before taxation	107,046	41,241	(810)	(5,072)	35,359
Amortisation	7,265	2,649	-	571	3,220
Exceptional costs	13,744	5,265	538	-	5,803
Share based payments	2,819	-	272	-	272
Adjusted Profit before taxation including IFRS 10 adjustment	130,874	49,155	-	(4,501)	44,654
IFRS 10 adjustment	2,857	-	-	4,501	4,501
Adjusted Profit before taxation excluding IFRS 10 adjustment	133,731	49,155	-	-	49,155

Note

¹ The net impact on the Consolidated Income Statement for 2012 represents the impact of certain companies being determined to have been consolidated from earlier dates which were after the date the Group's partnering arrangements had commenced for those acquisitions. Consequently the pre-existing relationship before the date of effective control have been settled in accordance with IFRS 3, resulting in an adjustment to the accounting for the business combinations and profit before tax of £5.1 million.

2c. IMPACT OF NEW AND REVISED STANDARDS: CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2013 £'000	2012 £'000	IFRS 3 & 10 adjustments £'000	Restated 2012 £'000
Profit after taxation	82,696	31,902	(4,507)	27,395
<i>Items that may be reclassified in the Consolidated Income Statement</i>				
Exchange differences on translation of foreign operations	(4,237)	(1)	-	(1)
<i>Fair value movements on available for sale assets</i>				
Fair value increase on available for sale assets	4,186	336	-	336
<i>Fair value movements on available for sale assets taken to the Consolidated Income Statement</i>				
Previous fair value gain recognised in the Consolidated Income Statement in respect of an investment becoming an associate on a stepped acquisition	(4,186)	-	-	-
Previous fair value gain recognised in the Consolidated Income Statement in respect of an associate becoming a subsidiary on a stepped acquisition	-	(336)	-	(336)
Total comprehensive income for the year	78,459	31,901	(4,507)	27,394
Attributable to				
Equity holders of the parent	78,712	31,808	(4,507)	27,301
Non-controlling interests	(253)	93	-	93
	78,459	31,901	(4,507)	27,394

The impact of the IFRS 10 adjustment on the Consolidated Statement of Comprehensive Income and Consolidated Statement of Changes in Equity is limited to a £3,697,000 Profit After Tax reduction figure for 2012. The impact of the IFRS 3 adjustment on the same statements is limited to a £810,000 Profit After Tax reduction figure for 2012.

The impact of the IFRS 10 restatement on basic and diluted earnings per share in 2012 was to decrease basic earnings per share by 0.136 pence to 1.035 pence and decrease diluted earnings per share by 0.135 pence to 1.027 pence.

The impact of the IFRS 3 restatement on basic and diluted earnings per share in 2012 was to decrease basic earnings per share by a further 0.030 pence to 1.005 pence and decrease diluted earnings per share by a further 0.029 pence to 0.998 pence.

The combined impact of the IFRS 10 and IFRS 3 restatements on basic and diluted earnings per share in 2012 was to decrease basic earnings per share by 0.166 pence to 1.005 pence and decrease diluted earnings per share by 0.164 pence to 0.998 pence.

2D. IMPACT OF NEW AND REVISED STANDARDS: CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2013 £'000	2012 £'000	IFRS 3 adjustment £'000	IFRS 10 adjustment £'000	Restated 2012 £'000
Non-current assets					
Intangible assets	291,280	142,640	⁴ (5,316)	² 36,885	174,209
Property, plant and equipment	9,357	7,224	-	72	7,296
Interests in associates and investments	53,057	7,143	-	-	7,143
	353,694	157,007	(5,316)	36,957	188,648
Current assets					
Inventories	318	160	-	-	160
Trade and other receivables	327,873	202,340	-	(24,469)	177,871
Cash	199,596	47,230	-	820	48,050
	527,787	249,730	-	(23,649)	226,081
Total assets	881,481	406,737	(5,316)	13,308	414,729
Current liabilities					
Bank overdraft	(19,642)	(15,871)	-	-	(15,871)
Borrowings	(26,501)	(6,280)	-	-	(6,280)
Trade and other payables	(125,942)	(102,836)	783	6,815	(95,238)
Corporation tax	(24,346)	(7,457)	-	(3)	(7,460)
Obligations under finance leases	(610)	(479)	-	-	(479)
Deferred tax liabilities	(56)	(533)	-	-	(533)
	(197,097)	(133,456)	783	6,812	(125,861)
Non-current liabilities					
Borrowings	(11,961)	(7,475)	-	-	(7,475)
Trade and other payables	(1,896)	(8,032)	2,000	-	(6,032)
Obligations under finance leases	(661)	(568)	-	-	(568)
Deferred tax liabilities	(2,348)	(3,473)	-	840	(2,633)
	(16,866)	(19,548)	2,000	840	(16,708)
Total liabilities	(213,963)	(153,004)	2,783	7,652	(142,569)
Net assets	667,518	253,733	(2,533)	³ 20,960	272,160
Equity					
Share capital	56,700	36,216	-	-	36,216
Share premium account	321,408	102,026	-	-	102,026
Merger reserve	124,699	80,320	(802)	(5,200)	74,318
Shares to be issued	54,151	-	321	29,857	30,178
Other reserves	998	54	(1,242)	-	(1,188)
Foreign currency translation reserve	(4,238)	(1)	-	-	(1)
Retained earnings	110,054	34,843	(810)	(3,697)	30,336
Equity attributable to equity holders of the parent	663,772	253,458	(2,533)	20,960	271,885
Non-controlling interests	3,746	275	-	-	275
Total equity	667,518	253,733	(2,533)	20,960	272,160

Notes

- 2 The IFRS 10 movement in intangible assets in 2012 was an increase of £36.9 million. This represents additional intangible assets of £5.0 million identified on the acquisition of ALH, now consolidated from an earlier date, net of £0.6 million additional amortisation charged in the year. Goodwill increased by £32.5 million, representing £39.3 million of Goodwill on the acquisition of AAH and a £6.8 million reduction to the Goodwill previously recognised on the acquisition of the Legal Services businesses (£5.2 million of which relates to the adjustment to the value of the consideration shares which has been discounted by the Group's cost of equity to take account of the time value of the consideration and £1.8m in respect of a reduction in the fair value of the deferred tax liability arising on acquisition). See further information in note 35.
- 3 The movement in the remaining aspects of the composition of the balance sheet for the restatement is the consequence of AAH being consolidated from an earlier date during 2012. The major impact being that the 2012 deposit of £19.9 million in relation to the AAH acquisition previously shown in Prepayments at the year-end has been amended and included in the acquisition and Goodwill calculation. Likewise the £29.9 million of deferred share consideration in respect of the AAH acquisition is now included in 2012 in the Shares to be issued reserve. Also see note 35.
- 4 Included in the £5.3m adjustment to intangible assets is a decrease of £4.8m related to the prior year adjustment in respect of post business combination remuneration as set out in note 2a. The remaining £0.5m decrease is in relation to part of the fair value of consideration adjustment as set out in Note 2a, for acquisitions where the date of consolidation has not been reassessed. The remaining £5.2m in relation to the fair value of consideration adjustment has been included in the IFRS 10 column as noted in note 2a above as this relates to acquisitions where the date of consolidation has been reassessed.

2E. IMPACT OF NEW AND REVISED STANDARDS: CONSOLIDATED CASH FLOW STATEMENT

	2013 £'000	2012 £'000	Reclassifi- cation £'000	IFRS 10 adjustment £'000	Restated 2012 £'000
Cash flows from operating activities					
Cash generated from/(used by) operations before exceptional costs, net finance expense and tax	10,433	38,798	-	⁵ (18,339)	20,459
Cash outflow from exceptional costs	(7,268)	(2,101)	-	-	(2,101)
Cash generated from operations before net finance expense and tax	3,165	36,697	-	(18,339)	18,358
Net finance expense paid	(1,694)	(1,105)	-	(130)	(1,235)
Corporation tax paid	(10,409)	(1,477)	-	(1,037)	(2,514)
Net cash (used by)/generated from operating activities	(8,938)	34,115	-	(19,506)	14,609
Cash flows from investing activities					
Purchase of property, plant and equipment	(2,484)	(1,289)	-	(28)	(1,317)
Purchase of intangible fixed assets	(21,359)	(2,899)	-	-	(2,899)
Proceeds on disposal of property, plant and equipment	360	36	-	-	36
Proceeds on sale of subsidiary undertaking and sale of operations	2,480	-	-	-	-
Acquisition of subsidiaries net of cash acquired	(11,533)	(54,319)	-	5,247	(49,072)
Purchase of associated undertakings	(18,261)	-	-	-	-
Purchase of fixed asset investments	(1,807)	(4,101)	-	-	(4,101)
Deposits held in escrow	(1,500)	-	-	-	-
Loans to investments and other parties	(4,898)	(15,107)	-	⁵ 15,107	-
Dividends received from associates	109	-	-	-	-
Receipts/(payments) on Equity Swap	-	(15,583)	⁶ 15,583	-	-
Net cash used in investing activities	(58,893)	(93,262)	15,583	⁷20,326	(57,353)
Cash flows from financing activities					
Issue of share capital	200,406	90,953	-	-	90,953
Finance lease repayments	(635)	(888)	-	-	(888)
Additional/(repayment of) secured loans received	12,125	(3,790)	-	-	(3,790)
Additional unsecured loan monies received	518	520	-	-	520
Receipts/(payments) on Equity Swap	3,192	-	⁶ (15,583)	-	(15,583)
Net cash generated from financing activities	215,606	86,795	(15,583)	-	71,212
Net increase in cash and cash equivalents	147,775	27,648	-	⁷820	28,468
Cash and cash equivalents at the beginning of the year	32,179	3,711	-	-	3,711
Cash and cash equivalents at the end of the year	179,954	31,359	-	820	32,179
Adjusted Operating cash flow (before exceptional costs, tax and net finance expense)					
Adjusted Operating cash flow (as defined above) including IFRS 10 adjustment	10,433	38,798	-	(18,339)	20,459
IFRS 10 adjustment	9,645	-	-	18,339	18,339
Adjusted Operating cash flow (as defined above) excluding IFRS 10 adjustment	20,078	38,798	-	-	38,798

Notes

- 5 The impact on Operating cash flow and conversely on Investing activities is a consequence of the change in treatment of the Group's acquisitions with certain acquisitions under the application of IFRS 10, with each business being consolidated from an earlier date, requiring that certain cash flows being re-stated as intra-group rather than external, as previously recorded
- 6 As described earlier in this note
- 7 The net movement in the Consolidated Cash Flow Statement represents cash held by AAH at the 2012 year-end. ALH was previously determined to have been acquired at the contractual acquisition date of 9 April 2013

3. 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, unless otherwise stated.

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 except for amendments in respect of IFRS 10 and aspects of IFRS 3, as described in note 2a above.

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 a greater than 50 percent shareholding have been consolidated in the Group's results. Further information on this has been included in note 2a above.

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 using the purchase method. 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 Income Statement in the year of acquisition. Where consideration is locked in for future periods, due to performance conditions, the value of this consideration is discounted by the group's cost of equity for the time value of money. 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.

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 is measured at the fair value of the consideration received and represents amounts receivable for services provided in the ordinary course of business, net of discounts and sales taxes.

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's) 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. Claims are typically presented to insurers, acting for the not at fault or fault party. Amounts are set aside for settlement adjustments which insurers, in certain limited circumstances (e.g. administrative delays or when facts about a case change) seek to negotiate. Such amounts are recognised within revenue as they relate to revisions of income estimates, not collectability (credit risk).

Replacement vehicle charges are recognised on a daily basis in accordance with charges under the General Terms of Agreement of the Association of British Insurers ("GTA") or in line with specific contractual terms. The hire cost is known, generally being based on prices agreed with third party hirers.

Repair revenue is recognised based on the estimated stage of completion at the period end date. The repair work is conducted by third parties and the stage of completion is estimated based on information provided by these suppliers. Repair revenue can be reliably estimated based on prices agreed with insurers. Repair costs can likewise be reliably measured and are either based on the (third party repairer supplied) estimated cost to repair the vehicle concerned or, if the service is complete, the repairer's invoice.

Revenue from legal services is recognised based on the estimated stage of completion at the period end date. Income can be reliably estimated based on fixed fees established by the Civil Procedures Rules used by the courts in England and Wales and estimates of any fixed and variable fees agreed with clients.

Individual case life may span a number of months. Revenue is recognised across the expected life of each case, in line with the typical level of effort expended in relation to that case type, taking into account the total income expected to be earned on that case type. This will include an assessment of fees for cases that are anticipated to be concluded successfully. Costs incurred during the life of a case can be reliably estimated based on contractual terms with suppliers and estimates of internal resource. Such costs are recognised in the income statement across the expected life of the case, on the same basis as the revenue is recognised.

Amounts incurred by the Group with third parties in relation to legal disbursements are recorded within Trade and other payables. To the extent that these are recoverable from third parties, an asset is recorded within Other debtors.

Income arising from medical and rehabilitation services is recognised on delivery of service. Income can be reliably estimated based on agreed charges with customers or instructing parties. Where services are delivered by external parties costs can be reliably estimated based on contractual charges agreed with those suppliers.

Where the Group acts as a broker or agent for the sale of a product on behalf of another party, revenue represents brokerage fees and is recognised as services are rendered and in accordance with agreed contractual terms. Where services are subject to a claw back of revenue during the duration of a contract, an initial estimate of claw back is made based on historical data and adjustment made to revenue initially recognised.

Revenue earned by the Solutions Division

The Solutions Division receives its income through Software ILF (Initial Licence Fee), SaaS (Software as a Service), 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.

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 6. The Group's accounting policies are applied consistently across the two divisions. Head office and central costs are shown separately.

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 Income Statement in the year in which they are incurred.

Share-based payments

Warrants

The Company issued warrants in connection with its acquisition of Quindell Limited in May 2011, the fair value of which was calculated at the time of issue and charged immediately to the Income Statement. Similarly, on 17 June 2013 the Company issued warrants to the RAC. Further information is included in note 27 to the accounts. The Group has adopted a Black-Scholes model to calculate the fair value of warrants.

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 where appropriate 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 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 re-translated 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 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 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 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 Income Statement and not subsequently reversed. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. If the recoverable amount of the cash-generating unit 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 date of acquisition, and amortised on a straight line basis over their useful economic lives, which are reviewed on an annual basis. The residual values of such intangible assets are assumed to be nil and their estimated useful economic lives are as follows:

Intellectual property rights, software and licences	3 – 10 years
Customer contracts, data, brands and relationships	2 – 10 years

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 the Group's cost of capital. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense in the 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 written off as incurred unless it can be demonstrated that the following conditions for capitalisation, in accordance with IAS 38 (Intangible Assets), are met:

- the development costs are separately identifiable,
- the development costs can be measured reliably,
- management are satisfied as to the ultimate technical and commercial viability of the project, and
- it is probable that the asset will generate future economic benefits.

Any subsequent costs are capitalised as intangible assets until the intangible asset is readily available for sale or use, and amortised on a straight-line basis over their useful economic lives.

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
Improvement to freehold land and buildings	5%-10% per annum straight line
Improvement to leasehold land and buildings	Over the term of the lease
Plant, equipment and furniture	20%-25% per annum reducing balance
Motor vehicles	25% per annum reducing balance
Computer equipment	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 and jointly controlled entities

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 percent 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 percent 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 percent of the voting power, the Group has considered whether indicators of significant influence exist in respect of such holdings in accordance with IAS28. 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 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 Income Statement.

Where businesses or parts of businesses are held as available for sale assets, fair value movements and realisation of profits or losses on disposal are recognised through the Consolidated Statement of Comprehensive Income.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each Statement of Financial Position date. The resulting gain or loss is recognised in the Income Statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship, or if it relates to an acquisition in which case it may be treated as a direct or indirect cost of acquisition. The Group may designate certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly

probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

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. Finance charges are charged directly against income.

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. Amounts set aside for settlement adjustments, which insurers in certain limited circumstances (e.g. due to administrative delays) seek to negotiate, are based on historical experience. The resulting settlement adjustments are recognised within revenue as they relate to revisions of income estimates, not collectability (credit risk). 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 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.

Exceptional costs

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management has made a number of judgements, and the preparation of financial statements 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 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

The Group recognises revenue as described in the revenue recognition accounting policy, when it is reasonably certain that the revenue has been earned. A significant proportion of income arises from insurance claims made against at fault parties and recovered from insurers, with each claim subject to settlement agreement, or from commissions due and payable based on committed future use by a customer of a telecoms, insurance or utility service provided by a third party. The Group uses past experience and that of its management to determine a fair value of such contracts and recognises the revenue accordingly on a case by case basis. Adjustments are made to revenue as and when new facts arise.

Identification of CGU's and measurement and impairment of goodwill

CGU's, or groups of CGU's, 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 CGU's. 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.

The CGU's 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 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 2013 was £235.6 million (2012: £144.6 million).

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 35, where a range of potential outcomes is also given, no amounts to date have been recognised in anticipation of any clawback and the maximum amounts payable under such arrangements have been included 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.

As such no indemnification assets have been recognised in the current year (2012: £nil).

Debtor provisioning in Services Division

The Group recognises revenue as described in the revenue recognition accounting policy, when it is reasonably certain that the revenue has been earned. Where income is derived from claims made against fault parties and ultimately recovered from insurers, with each claim subject to settlement agreement, the Group uses past experience to determine a fair value of each claim and recognise the revenue accordingly. Adjustments are made to revenue as and when new facts arise.

Financial risk factors

As at the Statement of Financial Position date, the Group's primary financial risk factors are those associated with adverse interest rate movements in respect of its borrowings and adverse movements in its share price in respect of the cost of acquisitions and raising funds. The Group's exposure to these risk factors are detailed in note 32. Whilst the Group is from time to time subject to credit risk on individual balances, the Group is not subject to significant concentration of credit risk with exposure spread across a number of companies, primarily within the UK. Policies are maintained to ensure that the Group makes sales to customers with appropriate credit history.

5. KEY PERFORMANCE INDICATORS

	2013 £'000	Restated See Note 2a 2012 £'000
Adjusted Revenue		
Solutions Division revenue	80,441	30,068
Services Division revenue	299,690	132,936
Legal Services related sales ¹	18,605	7,154
Services Division Gross sales	318,295	140,090
Total Gross Sales	398,736	170,158
Adjusted EBITDA		
Profit before taxation	107,046	35,359
Depreciation	2,220	1,976
Amortisation	7,265	3,220
Exceptional costs	13,744	5,803
Share based payments	2,819	272
Net finance expense	1,694	1,080
Adjusted EBITDA including IFRS 10 adjustment	134,788	47,710
IFRS 10 adjustment ²	2,863	4,526
Adjusted EBITDA excluding IFRS 10 adjustment	137,651	52,236
Adjusted Profit before taxation		
Profit before taxation	107,046	35,359
Amortisation	7,265	3,220
Exceptional costs	13,744	5,803
Share based payments	2,819	272
Adjusted Profit before taxation including IFRS 10 adjustment	130,874	44,654
IFRS 10 adjustment ²	2,857	4,501
Adjusted Profit before taxation excluding IFRS 10 adjustment	133,731	49,155
Adjusted Operating cash flow (before exceptional costs, tax and net finance expense)		
Adjusted Operating cash flow (as defined above) including IFRS 10 adjustment	10,433	20,459
IFRS 10 adjustment	9,645	18,339
Adjusted Operating cash flow (as defined above) excluding IFRS 10 adjustment	20,078	38,798
Adjusted EPS (See Note 14)		
Profit for the year attributable to equity holders of the parent	82,949	27,302
Adjusted basic profit for the year (See Note 14)	106,700	39,474
Basic earnings per share	1 971	1 005
Diluted earnings per share	1 952	0 998
Adjusted basic earnings per share	2 535	1 453
Adjusted diluted earnings per share	2 511	1 442

Notes

- 1 The adjustment to obtain Gross sales is the inclusion of disbursements transacted by the Group's legal services business that are provided by non-Group parties, incurred by the Group and invoiced on to at-fault insurers
- 2 Adjusted profit before taxation and Adjusted EBITDA excludes the impact of the first time application of IFRS 10 which, as outlined in Note 2a, has changed the treatment of a number of acquisitions that the Group entered into in 2012 and 2013

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Operating segments

For management purposes, the Group is organised into two operating divisions Solutions and Services. These divisions are supported by a group cost centre. 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, administration and management services, white labelled solutions, e-commerce, membership services, SaaS solutions and other services. The Services division provides technology enabled sales and service related 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 3. 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 Executive Chairman and 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.

	Solutions £'000	Services £'000	Central £'000	Total £'000
2013				
Software and consulting (management and one time fees, e-commerce and click fees) revenue	80,441	-	-	80,441
Technology enabled outsourcing (sales, service, other) revenue	-	299,690	-	299,690
Total revenue	80,441	299,690	-	380,131
Adjusted EBITDA¹ before central costs				
Software and consulting	51,387	-	-	51,387
Technology enabled outsourcing	-	90,780	-	90,780
Adjusted EBITDA¹ before central costs	51,387	90,780	-	142,167
Group costs	-	-	(8,944)	(8,944)
Other income and share of results of associate	-	183	4,245	4,428
Adjusted EBITDA¹	51,387	90,963	(4,699)	137,651
Exceptional costs and share based payments	(3,557)	(959)	(12,047)	(16,563)
IFRS 10 adjustments ¹	-	(2,863)	-	(2,863)
Depreciation and amortisation	(1,498)	(2,310)	(5,677)	(9,485)
Net finance expense	(84)	(2,096)	486	(1,694)
Profit/(loss) before taxation	46,248	82,735	(21,937)	107,046
Taxation	(10,520)	(18,820)	4,990	(24,350)
Profit/(loss) after taxation	35,728	63,915	(16,947)	82,696
2012 Restated – See Note 2a				
Software and consulting (management and one time fees, e-commerce and click fees) revenue	30,068	-	-	30,068
Technology enabled outsourcing (sales, service, other) revenue	-	132,936	-	132,936
Total revenue	30,068	132,936	-	163,004
Adjusted EBITDA¹ before central costs				
Software and consulting	24,042	-	-	24,042
Technology enabled outsourcing	-	32,176	-	32,176
Adjusted EBITDA¹ before central costs	24,042	32,176	-	56,218
Group costs	-	-	(4,299)	(4,299)
Other income and share of results of associate	-	(19)	336	317
Adjusted EBITDA¹	24,042	32,157	(3,963)	52,236
Exceptional costs and share based payments	(1,077)	(2,162)	(2,836)	(6,075)
IFRS 10 adjustments ¹	-	(4,526)	-	(4,526)
Depreciation and amortisation	(2,093)	(1,654)	(1,449)	(5,196)
Net finance expense	(60)	(1,045)	25	(1,080)
Profit/(loss) before taxation	20,812	22,770	(8,223)	35,359
Taxation	(4,250)	(3,443)	(271)	(7,964)
Profit/(loss) after taxation	16,562	19,327	(8,494)	27,395

Note 1 Adjusted EBITDA in the tables above excludes exceptional costs, share based payments and the impact of the first time application of IFRS 10 which, as outlined in Note 2a, has changed the treatment of a number of acquisitions that the Group entered into in 2012 and 2013.

Other Information

	Solutions £'000	Services £'000	Unallocated corporate assets £'000	Total £'000
2013				
Capital additions	30,865	103,308	1,864	136,037
Statement of financial position				
Assets	121,727	562,962	196,792	881,481
Liabilities	(19,939)	(169,506)	(24,518)	(213,963)
2012 Restated – See Note 2a				
Capital additions	23,524	107,733	1,303	132,560
Statement of financial position				
Assets	57,704	275,189	81,836	414,729
Liabilities	(15,875)	(109,003)	(17,691)	(142,569)

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	Rest of World £'000	Total £'000
2013			
Revenue	321,576	58,555	380,131
Other segment information			
Assets	551,510	38,691	590,201
Intangible assets	226,334	64,946	291,280
Total assets	777,844	103,637	881,481
Capital expenditure			
Tangible assets	3,241	3,698	6,939
Intangible assets	64,763	64,335	129,098
2012 Restated – See Note 2a			
Revenue	152,271	10,733	163,004
Other segment information			
Assets	233,589	6,931	240,520
Intangible assets	168,144	6,065	174,209
Total assets	401,733	12,996	414,729
Capital expenditure			
Tangible assets	5,725	696	6,421
Intangible assets	120,131	6,008	126,139

Information about major customers

Total revenues for 2013 include £38.5 million (2012: £15.5 million) in connection with the Services division, to the Group's largest customer.

7. OPERATING PROFIT

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

	2013 £'000	Restated See Note 2a 2012 £'000
Depreciation of property, plant and equipment - owned assets	1,776	1,474
Depreciation of property, plant and equipment – finance leased assets	444	502
Amortisation of intangible assets	7,265	3,220
Operating lease rentals - plant and machinery	467	226
Operating lease rentals - other	1,694	278
Net foreign exchange losses/(gains)	664	(2)
Auditors' remuneration	395	322
Staff costs (note 11)	60,572	21,129

The analysis of auditors' remuneration is as follows

	2013 £'000	2012 £'000
Audit services - statutory audit	395	244
Other services		
- Taxation compliance	-	74
- Corporate finance services	-	4
Total non-audit fees	-	78

Amounts included above in respect of the parent company are the statutory audit fee of £60,000 (2012 £35,000)

8. EXCEPTIONAL COSTS

	2013 £'000	Restated See Note 2a 2012 £'000
Acquisition costs		
Acquisition related fees	1,889	1,837
Costs of integration and associated redundancies	1,084	782
Post combination vendor remuneration (cash element)	962	538
Share based payments share options of a subsidiary	-	120
Cost of raising finance, including loss on Equity Swap	5,233	2,526
Exceptional costs excluding share based payments	9,168	5,803
Exceptional share based payments warrants granted in respect of a customer agreement (See note 27)	4,576	-
Total exceptional costs	13,744	5,803

Further information is included in note 27 and note 35 in relation to the share based payment charge treated as vendor remuneration

9. OTHER INCOME

	2013 £'000	2012 £'000
Net gain on re-measurement of investments on becoming associates and associates on acquisition of control	4,186	336
	4,186	336

10. PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

In accordance with the concession granted under Section 408 of the Companies Act 2006 the profit and loss account of Quindell Plc has not been separately presented in these financial statements. The profit for the year attributable to shareholders dealt with in the financial statements of Quindell Plc is £29,903,000 (2012: loss of £770,000).

11. EMPLOYEE AND STAFF COSTS

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

	2013 Number	Restated See Note 2a 2012 Number
Front office technology, consulting and outsourcing	1,603	545
Back office management and administration	809	231
	2,412	776

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

	2013 £'000	2012 £'000
Emoluments	1,892	1,336

The emoluments of the highest paid director were £1,320,000 (2012: £890,000). No retirement benefits were accruing under any schemes in respect of any of the directors (2012: none). None of the directors received any remuneration in connection with contributions to pension schemes. Further details are provided in the Directors Remuneration Report.

Total employee costs were as follows

	2013 £'000	Restated See Note 2a 2012 £'000
Wages and salaries	58,530	19,989
Social security costs	3,818	2,108
Pension costs	637	374
	62,985	22,471

Included in the total above are £2,413,000 (2012: £1,342,000) of salaries which were capitalised during the year.

12. NET FINANCE EXPENSE

	2013 £'000	Restated See Note 2a 2012 £'000
Bank interest receivable	383	153
Interest payable on bank loans and overdrafts	(1,869)	(1,114)
Interest on obligations under finance leases	(97)	(97)
Dividends on redeemable cumulative preference shares classified as financial liabilities (see note 24)	(36)	-
Other interest payable	(75)	(22)
Total interest payable	(2,077)	(1,233)
Net finance expense	(1,694)	(1,080)

13. TAXATION

	2013 £'000	Restated See Note 2a 2012 £'000
The taxation charge/(credit) comprises		
Current tax		
- Current year	27,190	7,833
- Adjustments in respect of prior year	(387)	14
Total current tax	26,803	7,847
Deferred tax		
- Current year	(1,496)	117
- Adjustments in respect of prior year	(957)	-
Total deferred tax	(2,453)	117
Taxation	24,350	7,964

Income tax for the UK is calculated at the standard rate of UK corporation tax of 23.25% (2012: 24.50%) on the estimated assessable profit for the year. The total charge for the year can be reconciled to the accounting profit as follows:

	2013 £'000	Restated See Note 2a 2012 £'000
Profit on ordinary activities before tax	107,046	35,359
Tax at 23.25% (2012: 24.50%) thereon	24,888	8,663
Effect of:		
Expenses not deductible for tax purposes	2,231	268
Effect of lower rate tax overseas	(1,082)	-
Research and development tax credit claim	(161)	(981)
Reduction in rate of deferred tax	(182)	-
Adjustments to tax charge in respect of prior periods	(1,344)	14
Total tax charge for the year	24,350	7,964

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 group has recognised deferred tax assets of £569,000 (2012: £102,000) in respect of losses amounting to £2,844,000 (2012: £441,000) that can be carried forward against future taxable income.

The total amount of goodwill that is expected to be deductible for tax is £69,415,000 (2012: £32,886,000).

Factors affecting future tax charges

The 2013 Budget on 20 March 2013 announced that the UK corporation tax rate will be reduced to 21% from 1 April 2014 and to 20% from 1 April 2015. These rates were substantially enacted on 2 July 2013. A rate of 20% has been used for deferred tax assets and liabilities being realised or settled after 1 April 2015.

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

	2013 £'000	Restated See Note 2a 2012 £'000
Profit for the year	82,949	27,302
Adjustments		
- exceptional costs	13,744	5,803
- share based payments	2,819	272
- amortisation	7,265	3,220
- IFRS10 adjustment ¹	2,857	4,501
- tax effect on the above	(2,934)	(1,624)
Adjusted basic profit for the year	106,700	39,474
	2013 Number '000s	2012 Number '000s
Weighted average number of shares in issue in the year	4,209,532	2,716,720
Dilutive potential ordinary shares		
- Deferred consideration shares	15,500	3,205
- Share based payments	11,147	-
- Warrants	12,996	16,779
Shares used to calculate diluted and adjusted diluted earnings per share	4,249,175	2,736,704
	2013 Pence	Restated See Note 2a 2012 Pence
Basic earnings per share	1 971	1 005
Diluted earnings per share	1 952	0 998
Adjusted basic earnings per share	2 535	1 453
Adjusted diluted earnings per share	2 511	1 442

Note

- 1 Adjusted basic profit for the year excludes exceptional costs, share based payments, amortisation and the impact of the first time application of IFRS10 which, as outlined in Note 2a, has changed the treatment of a number of acquisitions that the Group entered into in 2012 and 2013

15. INTANGIBLE ASSETS

		2013 £'000	Restated See Note 2a 2012 £'000
	Note		
Other intangible assets		55,659	29,639
Goodwill	16	235,621	144,570
		291,280	174,209

The movements in other intangible assets is as follows

	Customer contracts, data brands and relationships £'000	IPR, software and licences £'000	Total £'000
Cost			
At 1 January 2012	4,965	2,153	7,118
Acquired with subsidiary	14,484	7,266	21,750
Additions - internally generated	-	1,288	1,288
Additions - purchased	2,426	1,426	3,852
At 1 January 2013 Restated (See Note 2a)	21,875	12,133	34,008
Acquired with subsidiary (See Note 35)	12,611	1,454	14,065
Additions - internally generated	-	2,866	2,866
Additions - purchased	5,995	11,040	17,035
Disposal of operation (See Note 36)	(312)	-	(312)
Exchange differences	(109)	(324)	(433)
At 31 December 2013	40,060	27,169	67,229
Amortisation			
At 1 January 2012	966	183	1,149
Charge for the year	1,918	1,302	3,220
At 1 January 2013 Restated (See Note 2a)	2,884	1,485	4,369
Charge for the year	4,312	2,953	7,265
Exchange differences	(43)	(21)	(64)
At 31 December 2013	7,153	4,417	11,570
Net book value			
31 December 2013	32,907	22,752	55,659
31 December 2012 Restated (See Note 2a)	18,991	10,648	29,639

All of these assets are recognised at fair value to purchase or acquire 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.

In note 32, Financial Instruments, an explanation is given to show the degree to which fair values ("FV") 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

	FV Degree Observable	2013 £'000	2012 £'000
Non-current assets			
Other intangible assets	Level 3	14,065	21,750

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, the group's weighted average cost of capital, 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 Income Statement from separable intangibles identified on acquisitions.

The movement in goodwill is as follows	Goodwill £'000
Cost	
At 1 January 2012	48,279
Additions – purchased	32,338
Arising on acquisition of subsidiaries	63,975
At 1 January 2013 (Restated – See Note 2a)	144,592
Additions – purchased	1,458
Arising on acquisition of subsidiaries (See Note 35)	91,770
Arising on acquisition of subsidiaries – 2012 acquisitions assessment period changes (See Note 35)	1,904
Disposal of a subsidiary (See Note 36)	(10)
Exchange differences	(4,071)
At 31 December 2013	235,643
Amortisation	
At 1 January 2012	22
Charge for the year	-
At 1 January 2013 (Restated – See Note 2a)	22
Charge for the year	-
31 December 2013	22
Net book value	
31 December 2013	235,621
31 December 2012 (Restated – See Note 2a)	144,570

16. GOODWILL

Goodwill is allocated to the Group's cash generating units ("CGUs") which comprise its two operating divisions, segmented by geographical territory as follows

		Restated See Note 2a
	2013 £'000	2012 £'000
Solutions Division – UK	41,317	39,043
Solutions Division – Non-UK	12,932	5,197
Services Division – UK	109,892	98,630
Services Division – Non-UK	37,829	-
Other	33,651	1,700
	235,621	144,570

Goodwill is allocated to a divisional CGU, by reference to its location, unless the acquisition is not integrated into that CGU. In this instance, goodwill arising on an acquisition is allocated to its own separate CGU until such a time that the business has been integrated. The Other CGU represents the combination of businesses comprising Quindell Property Services which, at the year end, had not been integrated into the UK Services division. It is anticipated that this exercise will be completed during 2014.

For each CGU the Group has determined its recoverable amount. The recoverable amount is determined based on value in use calculations. No impairment charge was required in the year (2012: £nil) and the cumulative impairment charge recognised to date was £nil (2012: £nil). The key assumptions used in the calculations were the forecast operating cash flows for the following two years based on the Group's plans. These plans were based on past performance, expectations for sales and cost related synergies between the newly acquired businesses, the development of the CGU, and the anticipated development of the CGU's product ranges. The estimated long-term effective tax rate for each CGU was 22% (2012: 23%), and the estimated long-term growth rate for each CGU of 3% (2012: 3%). The resulting cash flows were discounted using a pre-tax discount rate of 9% (2012: 12%).

The recoverable amount is more than 200% of the carrying amount for all CGUs.

Sensitivity analysis has determined that no reasonably possible change in the key assumptions used will result in significant impairment and that there is sufficient headroom in all of the key assumptions before the carrying value becomes impaired. For instance, the forecast annual cash flows of each CGU would have to reduce by more than 80% or the pre-tax discount rate would have to increase to approximately 50% to result in an impairment charge for each of the CGUs other than for the Services Non-UK CGU where these statistics are 50% and 15% respectively.

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 2012	6,013	233	4,257	10,503
Additions	1,408	-	562	1,970
Acquired on acquisition of subsidiaries	1,216	167	905	2,288
Other reclassifications	328	-	(328)	-
Disposals	(36)	-	(3)	(39)
Exchange differences	-	-	(1)	(1)
At 1 January 2013 Restated (See Note 2a)	8,929	400	5,392	14,721
Additions	515	193	2,520	3,228
Acquired on acquisition of subsidiaries (See Note 35)	318	1,821	1,572	3,711
Disposals	(5,099)	-	(1,560)	(6,659)
Exchange differences	(11)	(201)	(157)	(369)
At 31 December 2013	4,652	2,213	7,767	14,632
Depreciation				
At 1 January 2012	3,392	34	2,025	5,451
Charge for the year	852	241	883	1,976
Disposals	-	-	(1)	(1)
Exchange differences	-	-	(1)	(1)
At 1 January 2013 (See Note 2a)	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 31 December 2012	1,481	406	3,388	5,275
Net book value				
31 December 2013	3,171	1,807	4,379	9,357
31 December 2012 (See Note 2a)	4,685	125	2,486	7,296

Assets with a net book value of £1,034,000 (2012 £1,392,000) are held under finance leases, on which depreciation of £444,000 (2012 £502,000) was charged in the year

18. ASSOCIATES

	Solutions £'000	Services £'000	2013 £'000	2012 ¹ £'000
Aggregated amounts relating to associates – Group's share of				
- Total assets	8,333	56,576	64,909	-
- Total liabilities	(1,561)	(13,479)	(15,040)	-
Net assets	6,772	43,097	49,869	-
Interests in associates	6,772	43,097	49,869	-
Group's share of				
- Total revenue	-	11,106	11,106	3,748
- Profit/(loss)	-	242	242	(19)

Note

1 Associates in 2012 were all in the Group's Services Division

One associate company, Himex, is included in the Solutions division in 2013. Himex became an Associate company in December 2013. The remaining entities are within the Services division. The split of the group's interests in associates by division is shown in the table above. The significant component of the group's share of total revenue and profit from associates represents the group's interest in National Accident Repair Services Plc ("NARS"), a quoted UK company, where the group owns 25.3%. The share of revenue and profit in 2013 from NARS included above was £10,010,000 and £170,000 respectively. In the opinion of the Directors none of the associates are considered individually material to the consolidated results.

The accounting period ends of the associates consolidated in these financial statements range from 31 July 2013 to 31 December 2014. The accounting period end dates of the associates are different from those of the Group as they depend upon the requirements of those entities. A list of significant investments in associates, including the name, country of incorporation, and proportion of ownership interest is given in note 42 to the Company's separate financial statements.

19. INVESTMENTS

	FV Degree Observable	2013 £'000	2012 £'000
Investments carried at fair value	Level 3	3,188	7,143

A list of the Group's significant investments including the name, country of incorporation, and proportion of ownership interest is given in note 42 to the Company's separate financial statements. Re-measurements recognised in the year were £nil (2012: £nil).

In note 32, Financial instruments, a definition is given to record the degree to which fair values ("FV") 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 "FV degree observable".

The fair value degree represents unobservable inputs as they are based on unquoted entities – as listed in note 42 below. There are no amounts recognised in the Income Statement or Other Comprehensive Income in either year.

20. INVENTORIES

	2013 £'000	2012 £'000
Finished goods	318	160

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

21. TRADE AND OTHER RECEIVABLES

		Restated See Note 2a
	2013 £'000	2012 £'000
Trade receivables (net of impairment provision)	85,632	73,694
Other receivables		
- relating to legal disbursements due from insurance companies	57,473	26,549
- other	20,120	7,977
Prepayments	12,955	8,426
Accrued income	151,693	47,928
Derivative financial instruments (See note 32)	-	13,297
	327,873	177,871

Included above within gross Trade receivables (i.e. excluding impairment provisions) due from third parties is £91,270,000 (2012 £70,487,000) relating to debts over which security (by way of fixed and floating charges) has been taken as part of the provision of invoice discounting facilities to companies in the Group, further details of which are provided in note 24. The directors consider that the net carrying amount of Trade receivables approximates to their fair value.

22. CASH AND CASH EQUIVALENTS

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

		Restated See Note 2a
	2013 £'000	2012 £'000
Cash and cash equivalents	199,596	48,050
Bank overdrafts (See note 24)	(19,642)	(15,871)
	179,954	32,179

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

		Restated See Note 2a
	2013 £'000	2012 £'000
Current liabilities		
Trade payables	21,346	12,166
Payroll and other taxes including social security	13,518	17,557
Accruals	33,153	21,722
Deferred income	4,978	2,180
Other liabilities		
- relating to legal disbursements	44,811	28,692
- other	8,136	12,921
	125,942	95,238
Non-current liabilities		
Other liabilities	1,896	6,032
	1,896	6,032

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.

24. BORROWINGS

	2013 £'000	2012 £'000
Current		
Bank overdrafts	19,642	15,871
Cumulative redeemable preference shares	604	-
Other secured loans	25,145	6,052
Unsecured loans	752	228
Finance leases (See note 25)	610	479
	46,753	22,630
Non-current liabilities		
Other secured loans	6,139	7,171
Cumulative redeemable preference shares	5,026	-
Unsecured loans	796	304
Finance leases (See note 25)	661	568
	12,622	8,043
Total	59,375	30,673

	2013 £'000	2012 £'000
The borrowings are repayable as follows		
- On demand or within one year	46,753	22,630
- In the second to fifth years inclusive	12,622	8,043
	59,375	30,673
Less Amount due for settlement within 12 months (shown under current liabilities)	(46,753)	(22,630)
Amount due for settlement after 12 months	12,622	8,043

The Group operates an invoice discounting facility which is repayable on demand so has been categorised as a bank overdraft £14,062,000 (2012 £15,815,000) in relation to Quindell Business Process Services Limited. In addition, included in other secured loans, Quindell Business Process Services also has a revolving credit facility and a mortgage £4,086,000 (2012 £673,000). These aggregated borrowings of £18,148,000 (2012 £16,488,000) are secured by a fixed and floating charge over the assets of Quindell Business Process Services and its subsidiaries.

Other secured loans include an amount of £11,197,000 (2012 £12,423,000) 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 ("Mobile Doctors"). The Group continues to carry the risks and rewards of the associated trade receivables which are reported in note 21.

The Group has further bank overdrafts of £5,580,000 (2012 £nil) and other secured loans totalling £16,000,000 (2012 £nil) secured on the assets of the Company and its principal subsidiaries, other than the Quindell Business Process Services and Mobile Doctors sub-groups.

The cumulative redeemable preference shares are in respect of PT Healthcare Solutions Corp ("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 £5,630,000 (2012 £nil). 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 32, financial instruments, an explanation is given to show the degree to which fair values ("FV") are observable. These are grouped into three levels: Level 1, Level 2 and Level 3.

	FV Degree Observable	2013 £'000	2012 £'000
Liabilities			
Cumulative redeemable preference shares	Level 3	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 Income Statement.

The weighted average interest rates paid were as follows

	2013 %	2012 %
Bank overdrafts	3.25	3.35
Other secured loans	3.64	3.43
Cumulative redeemable preference shares	8.00	-
Unsecured loans	1.63	3.27

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

	2013 £'000	2012 £'000
Other secured loans (including invoice discounting facilities)	31,284	13,223
Cumulative redeemable preference shares	5,630	-
Unsecured loans	1,548	532
Finance leases	1,271	1,047
	39,733	14,802

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

	2013 £'000	2012 £'000
Expiring within one year	7,438	13,447
Expiring beyond one year	10,031	20,262
	17,469	33,709

25. OBLIGATIONS UNDER FINANCE LEASES

	2013 £'000	2012 £'000
Minimum lease payments		
Within one year	679	550
In the second to fifth years inclusive	699	610
	1,378	1,160
Less future finance charges	(107)	(113)
Present value of lease obligations	1,271	1,047
Present value of minimum lease payments		
Within one year	610	479
In the second to fifth years inclusive	661	568
Present value of lease obligations	1,271	1,047
Analysed as:		
Amounts due for settlement within one year	186	62
Amounts due for settlement after more than one year	1,085	985
	1,271	1,047

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 3 years (2012: 4 years). For the year ended 31 December 2013, the average effective borrowing rate was 7.8% (2012: 8.0%). 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. 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 2012	1,256	(584)	672
(Credit)/charge to Income Statement	(426)	543	117
Acquired with subsidiaries	2,438	(61)	2,377
At 1 January 2013 Restated (See Note 2a)	3,268	(102)	3,166
(Credit)/charge to Income Statement	(1,986)	(467)	(2,453)
Acquired with subsidiaries	1,691	-	1,691
At 31 December 2013	2,973	(569)	2,404

	2013 £'000	Restated See Note 2a 2012 £'000
Deferred tax liabilities	2,973	3,268
Deferred tax assets	(569)	(102)
	2,404	3,166

At the Statement of Financial Position date, there are unrecognised deferred tax assets in respect of £2,392,000 (2012 £477,000). Deferred tax balances for Statement of Financial Position purposes are analysed as follows

	2013 £'000	Restated See Note 2a 2012 £'000
Deferred tax liability falling due within one year	625	635
Deferred tax liability falling due after one year	2,348	2,633
	2,973	3,268
Deferred tax assets are recoverable as follows		
Deferred tax asset to be recovered within one year	(569)	(102)

27. SHARE CAPITAL

	2013		2012	
	Number '000s	Nominal value £'000	Number '000s	Nominal Value £'000
Issued and fully paid				
At the start of the year	3,621,602	36,216	2,004,114	20,041
Issued during the year	2,048,376	20,484	1,617,488	16,175
At the end of the year	5,669,978	56,700	3,621,602	36,216

Included within the ordinary share capital, as at 31 December 2013, are 30,762,488 shares (31 December 2012 nil) of 1 penny with a carrying value of £5,209,000 (31 December 2012 £nil) held by PT Healthcare Solutions Corp. Further details are provided in Note 28.

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

The Company issued the following ordinary shares during the year:

Reason for issue	Date of issue (2013)	Issue share price Pence	Number	Issue premium £'000
<i>Acquisitions</i>				
iSaaS Technology Limited	25 March	9.761	38,057,143	3,334
Compass Costs Consultants Limited	2 April	8.722	80,000,000	6,178
Abstract Legal Holdings Limited	9 April	9.898	242,100,000	23,963
	21 October	13.500	25,700,000	3,213
Quindell Property Services Limited	2 May	13.500	65,928,572	8,241
	2 September	12.772	18,000,000	2,119
	21 October	13.395	9,178,808	1,138
React and Recover Medical Group Limited	28 June	9.345	70,714,286	5,901
PT Healthcare Solutions Corp	26 September	16.875	31,551,270	5,009
Quintica Holdings Limited	21 October	10.125	3,205,128	292
Quindell Business Process Services Limited (formerly A1 Claims Solutions plc)	21 October	16.125	450,739	68
<i>Investments and associates</i>				
ingenie Limited	19 September	16.375	71,071,422	10,927
Nationwide Accident Repair Services plc	25 September	16.875	50,151,187	7,961
	27 September	16.375	6,359,100	978
	21 October	16.250	1,002,874	153
<i>Exercise of warrants</i>				
	25 January	2.470	15,067,744	221
	18 March	2.470	4,048,583	60
<i>Issued for cash</i>				
	15 November	16.000	1,093,750,000	164,063
	3 December	16.000	222,039,500	33,306
			2,048,376,356	277,125

The total premium of £272,125,000 is split between the share premium account (£226,744,000) and the merger reserve (£50,381,000) as per note 28.

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 - warrants

The Company had the following warrants outstanding as at 31 December 2013

Issue date	Exercise price Pence	Expiry Date	2013 Number	2012 Number
14 July 2011	2 470	28 April 2013	-	5,642,255
14 July 2011	2 470	28 April 2014	4,048,583	17,523,060
14 June 2013	13 000	14 June 2015 ¹	250,000,000	-
			254,048,583	23,165,315

Note

1 Earlier of 14 June 2015 or when the Company obtains a Premium Listing on the London Stock Exchange

Details of the movement in share warrants outstanding are as follows

	2013	WAEP	2012	WAEP
	Number	Pence	Number	Pence
Outstanding at the beginning of the year	23,165,315	2 47	52,558,666	2 47
Forfeited	(405)	2 47	(6,351)	2 47
Granted	250,000,000	13 00	-	-
Exercised	(19,116,327)	2 47	(29,387,000)	2 47
Outstanding at the end of the year	254,048,583	12 83	23,165,315	2 47
Exercisable at the end of the year				
Issued at 2 47p	4,048,583	2 47	23,165,315	2 47
Issued at 13 00p	250,000,000	13 00	-	-

The Group recognised a total expense of £4,576,000 (2012: £nil) 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 having no linked performance period and all obligations being met at the outset, the Income Statement charge in relation to these warrants has been accelerated in full into the current year rather than spread over the life of the warrants. This charge has been treated as an exceptional cost on the basis of the nature of the instrument and the acceleration performed.

As at 31 December 2013, the weighted average remaining contractual life of all options was 1.44 years and the weighted average exercise price was 12.83 pence.

The warrants are equity settled share based payments and the inputs into the Black-Scholes model for warrants issued were as follows. There were no inputs in 2012 as there were no options issued in that year. The weighted average fair value (based on the Black-Scholes valuation method) at grant date of options issued in the year was 1.83 pence per share.

	2013	2012
Weighted average share price (pence)	8 95	-
Weighted average exercise price (pence)	13 00	-
Expected volatility	81 40%	-
Expected life (years)	1 00	-
Risk free rate	2 10%	-
Expected dividend yield	0 49%	-

Share based payments – options

The movement in options held by individuals was as follows

	2013		2012	
	Number	WAEP Pence	Number	WAEP Pence
Quindell Plc Unapproved Options				
Outstanding at the beginning of the year ¹	-	-	-	-
Granted during the year	116,080,067	16 00	-	-
Outstanding at the end of the year	116,080,067	16 00	-	-
Exercisable at the end of the year	-	-	-	-
Quindell Business Process Services Approved and Unapproved Options				
Outstanding at the beginning of the year ¹	-	-	8,853,318	20 79
Cancelled during the year (cash compensation)	-	-	(7,763,818)	19 84
Expired during the year	-	-	(43,000)	22 35
Exchanged for Quindell New Option Scheme options ²	-	-	(1,046,500)	27 77
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	-	-	-	-
Quindell Business Process Services LTIPs				
Outstanding at the beginning of the year ¹	-	-	606,000	0 00
Cancelled during the year	-	-	(606,000)	0 00
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	-	-	-	-

Notes

- As at 1 January 2013 or, for 2012, the date of acquisition of Quindell Business Process Services (2 April 2012) In 2012, this relates to the number of options which had not vested at that date
- As at 31 December 2012 Quindell new options had not been issued by the Company so there were still rights in existence at that date for the benefit of certain of the Quindell Business Process Services share schemes option-holders to be granted options over Quindell ordinary shares 2,336,681 Quindell Plc unapproved options for these Quindell Business Process Services option-holders were granted on 21 November so these rights were not in existence at 31 December 2013

As at 31 December 2013, the weighted average remaining contractual life of all options was 5.6 years and the weighted average exercise price was 16.00 pence

2013 Options

Options over 116.1 million shares in the Company with an exercise price of 16.00 pence were granted on 21 November 2013 under the Group's Unapproved Share Option Scheme. 84,531,000 of the options will vest annually in three equal tranches commencing 1 July 2014 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 remaining 31,549,067 options will vest annually in three equal tranches commencing 1 July 2015 if the performance criteria for each option holder, which also includes reference to the Group's upper targets for Adjusted earnings per share, has been met for that year. The exercise periods for all options vested ends on 30 June 2019.

The options are equity settled and the inputs into the Black-Scholes model for options issued were as follows. There were no inputs in 2012 as there were no options issued in that year. The weighted average fair value (based on the Black-Scholes valuation method) at grant date of options issued in the year was 6.50 pence per share.

	2013	2012
Weighted average share price (pence)	16.00	-
Weighted average exercise price (pence)	16.00	-
Expected volatility	80.44%	-
Expected life (years)	0.58 to 3.58	-
Risk free rate	2.80%	-
Expected dividend yield	0.49%	-

The Group recognised a total expense of £345,000 (2012: £nil) related to the cost of options (included as share based payment charges within administrative expenses). The expected life used in the valuation model was adjusted, based on management's best estimate, for the effects of non-transferability, performance conditions, exercise restrictions, and behavioural considerations.

2012 Options

A controlling stake in Quindell Business Process Services Limited (formerly Ai Claims Solutions plc) was acquired by the Group on 2 April 2012. At that time, Quindell Business Process Services had outstanding options in existence in respect of its share capital. These options had been granted by Quindell Business Process Services to certain directors and employees under the Quindell Business Process Services Long Term Incentive Plan ("LTIP"), the Quindell Business Process Services Approved Share Option Scheme and the Quindell Business Process Services Unapproved Share Option Schemes. On 2 July 2012, the Group, in accordance with the provisions of the City Code, made certain proposals to the holders of awards under these Quindell Business Process Services share schemes to the extent that such awards had not vested and/or been exercised. These proposals in summary provided the option holders with the opportunity to either release their current options and accept cash compensation on the basis of 24.4p per Quindell Business Process Services share, release them in exchange for the future grant of new options over Quindell shares, or have their options lapse dependent on whether their options were in or out of the money based on a 24.4p share price. The amount of compensation provided by the Group to holders of options over Quindell Business Process Services shares taking the cash compensation totalled £nil (2012: £624,000) during the year.

Share based payments – Post combination vendor remuneration

2013 Post combination vendor remuneration

As disclosed in Note 35 (Iter8 acquisition note), 71,281,142 shares issued as consideration for the purchase of Iter8 Inc. 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 penny. A Black-Scholes model has been used to value these share based payments.

The Group recognised a total expense of £1,990,000 (2012: £nil) 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 2014, 2015 and 2016 of £2,826,000, £2,826,000 and £836,000 respectively.

As at 31 December 2013, the weighted average remaining contractual life of these share based payments was 2.3 years and the weighted average exercise price was 1 penny.

2012 Post combination vendor remuneration – Restated (See Note 2a)

As disclosed in Note 2a and further in Note 35 (IT Freedom restated prior year acquisition note), 33,031,533 shares issued as consideration for the purchase of IT Freedom Limited 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 penny. A Black-Scholes model has been used to value these share based payments.

The Group recognised a total expense of £485,000 in the current year and restated 2012, as explained in note 2a, recognising a charge in 2012 of £272,000 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 2014 and 2015 of £505,000 and £252,000 respectively.

The deferred cash consideration of £3.0 million is also now being treated as an expense linked to ongoing employment with the Group. The cash elements relating to 2013 and 2012 were £962,000 and £538,000 respectively. Goodwill on this acquisition has been reduced by £4.8 million as a consequence of the treatment of the 33,031,533 shares issued as consideration and the deferred cash consideration. Further information is included in Note 35.

The share based payments are equity settled and the inputs into the Black-Scholes model for shares issued as post combination vendor remuneration were as follows. The weighted average fair value (based on the Black-Scholes valuation method) at the date the shares were issued or committed to be issued was 11.89 pence per share (2012: 4.58 pence per share).

	2013	Restated See Note 2a and above IT Freedom 2012
Weighted average share price (pence)	13.00	5.50
Weighted average exercise price (pence)	1.00	1.00
Expected volatility	80.44%	59.29%
Expected life (years)	3.00	0.50 to 3.00
Risk free rate	2.80%	2.00%
Expected dividend yield	0.60%	0.00%

28. RESERVES

	Share premium £'000	Merger reserve £'000	Shares to be issued £'000	Foreign currency translation reserve £'000	Non-controlling interests £'000
At 1 January 2012	8,145	25,825	106	-	(3)
Profit for the year	-	-	-	-	93
Other comprehensive income	-	-	-	(1)	-
Premium arising on issue of equity shares	98,878	48,493	-	-	-
Shares issued	-	-	(106)	-	-
Shares to be issued	-	-	30,178	-	-
Expense incurred in issuing of equity shares	(4,997)	-	-	-	-
Non-controlling interest at acquisition	-	-	-	-	3,276
Cost of acquiring non-controlling interest	-	-	-	-	(3,091)
At 1 January 2013 Restated (See Note 2a)	102,026	74,318	30,178	(1)	275
Profit for the year	-	-	-	-	(253)
Other comprehensive income	-	-	-	(4,237)	-
Premium arising on issue of equity shares	226,744	50,381	-	-	-
Shares issued	-	-	(30,178)	-	-
Shares to be issued	-	-	54,151	-	-
Expense incurred in issuing of equity shares	(10,593)	-	-	-	-
Non-controlling interest at acquisition	-	-	-	-	3,838
Cost of acquiring non-controlling interest	-	-	-	-	(114)
Transfer of prior year gain on sale of shares held in treasury	3,231	-	-	-	-
As at 31 December 2013	321,408	124,699	54,151	(4,238)	3,746

The Merger reserve represents the fair value of the share consideration over and above the share's nominal value of 1 penny per share for those shares issued as consideration for acquisitions that take the Group'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 Group. Further information on movements on non-controlling interests is provided in the PT Health and Quindell Property Services acquisitions analysis in note 35

Other reserves comprise				
	Equity reserve £'000	Shares treated as held in treasury ¹ £'000	Share based payments £'000	Total other reserves £'000
At 1 January 2012	54	-	-	54
Share based payments	-	-	(1,242)	(1,242)
At 1 January 2013 Restated (See Note 2a)	-	-	(1,242)	(1,188)
Shares treated as held in treasury	-	(5,209)	-	(5,209)
Share based payments	-	-	7,395	7,395
At 31 December 2013	54	(5,209)	6,153	998

Note

- 1 The acquisition of PT Healthcare Solutions Corp ("PT Health") (see Note 35) involved a share-for-share exchange which resulted in the Company's own ordinary share capital being held by one of its consolidated subsidiaries, PT Health. In accordance with IAS32 33, the Group has, 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. At the year end the carrying value was £5,209,000 (2012: £nil) which represented 30,762,488 shares (2012: nil). Any gains or losses recognised in the subsidiary's Income Statement have been removed on consolidation.

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

29. 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	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Expiring				
Within one year	3,219	132	7	90
Between two and five years	6,339	444	106	54
After five years	2,511	-	-	-
	12,069	576	113	144

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.

30. CASH FLOW FROM OPERATING ACTIVITIES

	2013 £'000	Restated See Note 2a 2012 £'000
Operating profit	108,740	36,439
Adjustments for		
Exceptional costs	7,268	2,101
Loss on Equity Swap	5,140	2,286
Share based payments	8,357	930
Depreciation of property, plant and equipment	2,220	1,976
Amortisation of intangible fixed assets	7,265	3,220
Share of (profit)/loss of associates	(242)	19
Net gain on re-measurement of investments on becoming associates and associates on acquisition of control	(4,186)	(336)
Negative goodwill released to income	-	(1,049)
Loss on disposal of plant, property and equipment	34	-
Profit on disposal of interests in property, subsidiary undertaking and operation (See Note 36)	(37)	-
Operating cash flows before movements in working capital and provisions	134,559	45,586
Decrease/(increase) in inventories	94	(45)
Increase in trade and other receivables	(137,605)	(965)
Increase/(decrease) in trade and other payables	13,385	(24,117)
Cash generated from operations before exceptional costs	10,433	20,459

31. 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
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
2012 Restated (See Note 2a)					
Cash	3,711	6,367	37,972	-	48,050
Overdrafts and bank loans	-	(18,959)	3,088	-	(15,871)
Cash and cash equivalents	3,711	(12,592)	41,060	-	32,179
Other secured loans < 1 year	(5,874)	(183)	5	-	(6,052)
Other secured loans > 1 year	(10,223)	(745)	3,797	-	(7,171)
Unsecured loans < 1 year	-	-	(228)	-	(228)
Unsecured loans > 1 year	-	-	(304)	-	(304)
Finance leases < 1 year	(291)	(241)	888	(835)	(479)
Finance leases > 1 year	(684)	(75)	-	191	(568)
Net (debt)/funds	(13,361)	(13,836)	45,218	(644)	17,377

32. FINANCIAL INSTRUMENTS

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.

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.

	2013 £'000	Restated See Note 2a 2012 £'000
Variable rate instruments	526	247
Fixed rate instruments	-	-
	526	247

Liquidity risk

The Group has a strong cash position and funds generated from operations are managed centrally. The Group maintains a mix of short and medium term borrowings from the Group's lenders. Further information on liquidity risk is given in the Finance Review.

The following are the contractual maturities of financial liabilities

	Carrying amount £'000	Contractual cash flows £'000	Less than 1 year £'000	Between 1-5 years £'000	Over 5 years £'000
Non-derivative financial liabilities					
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	127,838	(127,838)	(125,942)	(1,896)	-
Finance leases	1,271	(1,281)	(615)	(666)	-
	167,571	(167,727)	(153,142)	(11,698)	(2,887)
2012 Restated (See Note 2a)					
Other secured loans	13,223	(13,274)	(6,064)	(6,980)	(230)
Unsecured loans	532	(570)	(245)	(325)	-
Trade and other payables	101,270	(101,270)	(95,238)	(6,032)	-
Finance leases	1,047	(1,160)	(550)	(610)	-
	116,072	(116,274)	(102,097)	(13,947)	(230)

Capital risk

The Group defines its capital as the Group's total equity, including non-controlling interests. Its objectives when managing capital are 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.

The Group has to date acquired companies and raised new funds by the issuance of shares. Adverse movements in the share price would potentially impact this strategy. Whilst future share price movements may impact future acquisition strategy there is no financial risk to the settlement of previous acquisitions to any change in share price, as the number of shares to be issued are fixed.

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 Finance 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 143 days (2012: 199 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.

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

		2013	Restated See Note 2a 2012
	Note	£'000	£'000
Non-derivative financial assets			
Trade receivables	21	85,632	73,694
Cash and cash equivalents	22	199,596	48,050
		285,228	121,744

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

	2013	Restated See Note 2a 2012
	£'000	£'000
UK	75,702	72,476
Rest of World	9,930	1,218
	85,632	73,694

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

	2013	Restated See Note 2a 2012
	£'000	£'000
Sterling	78,021	72,476
Other	7,611	1,218
	85,632	73,694

The ageing of trade receivables at 31 December was as follows

	2013	2013	2013	Restated – See Note 2a		
	£'000	£'000	£'000	2012	2012	2012
	Gross	Impairment	Net	Gross	Impairment	Net
Under 1 year	64,771	3,428	61,343	46,310	2,993	43,317
1-2 years	15,762	1,859	13,903	23,922	1,498	22,424
2-3 years	11,505	1,722	9,783	9,833	2,211	7,622
3 years and over	4,931	4,328	603	1,895	1,564	331
	96,969	11,337	85,632	81,960	8,266	73,694

Within the net trade debtors above, £59.0 million (2012: £56.4 million) relates to claims due from insurance companies and self-insuring organisations. 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 monitors the number of days credit taken across all receivables, as noted above.

Included in the above net trade debtors is £26.6m (2012: £17.3m) which are subject to contractual payment terms, of which an amount of £3.6 million (2012: £1.7 million) represents debts which are past their due date but not impaired. An ageing of this past due but not impaired debt is shown below:

	2013 £'000	2012 £'000
Under 1 year	3,218	1,407
1-2 years	350	327
	3,568	1,734

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

	2013 £'000	2012 £'000
At 1 January	8,266	5,539
Provision for receivables impairment	6,376	4,714
Acquired with subsidiary	3,964	6,368
Receivables written off	(6,551)	(7,850)
Unused amounts reversed	(679)	(505)
Exchange differences	(39)	-
At 31 December	11,337	8,266

The allowance has been determined by reference to the recoverability of specific due and overdue debts. No allowance for impairment is made against other receivables. The creation and reversal of provisions for impaired trade receivables where they arise are included in administrative expenses in the Income Statement. The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Derivatives

In December 2012, the Group entered into an equity swap (the "Equity Swap") as part of the funding for the acquisition of Accident Advice Helpline Limited, it being deemed to be the least dilutive funding mechanism at that time. The amount of cash the Group received over the life of the Equity Swap was proportionate to the Company's average share price during such periods as the swap operated. The Equity Swap was recorded in the Statement of Financial Position at fair value, with any change in the fair value recognised immediately in the income statement. The Group recognised total non-cash losses of £5.1 million relating to such movements in 2013 (2012: £2.3 million). On 1 August 2013, the Group exited the Equity Swap, using it as part consideration for its investment in Himex Limited (see note 18).

The following table provides an analysis of financial instruments grouped into levels 1 to 3 based upon the degree to which the fair value ("FV") is observable:

Level 1	Fair values are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	Fair values are those derived from inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3	Fair values are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The fair value of the Equity Swap (categorised in line with the table above), based upon inputs other than quoted prices of comparable instruments, as at the Statement of Financial Position date was as follows:

	FV Degree Observable	2013 £'000	2012 £'000
Current assets			
Equity Swap	Level 2	-	13,297

There is no sensitivity to the Equity Swap as this was closed during the year.

33. 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 2013 or 31 December 2012.

34. 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. The directors have reviewed any open claims, any pending litigation against the Group at the year end and its other potential liabilities and have concluded that no material unprovided loss is likely to accrue to the Group from any such unprovided claims.

35. ACQUISITION OF SUBSIDIARIES

2013

The Group made three significant acquisitions during the year, and three smaller acquisitions. In each case, the acquirer 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 AIM) 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 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 32, Financial instruments, a definition is given to record the degree to which fair values ("FV") 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:

	FV Degree Observable	2013 £'000	2012 £'000
Non-current assets			
Consideration subject to clawback	Level 3	41,057	38,031

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 Income Statement as no amounts have been recognised for clawback in either financial year. No indemnification asset is recognised (2012: £nil).

Iter8 Inc ("iter8")

On 18 April 2013 the Group acquired the entire issued share capital of iter8, a leading Software as a Service ("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	(4,518)	(4,518)
Deferred tax asset	-	397
Net assets/(liabilities) acquired	1,256	(74)
Consideration		
- Cash		2,500
- Deferred cash		2,500
- Deferred shares (19,004,571 out of 90,285,713)		2,052
Total consideration		7,052
Goodwill arising from acquisition		7,126

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 deferred shares, 19,004,571 have been treated as consideration for the acquisition (as above). The remaining 71,281,142 shares 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 shares 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 8 and 27.

The resultant goodwill of £7.1 million 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 £3.9 million 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 £3.9m. This pre-existing relationship was settled on acquisition. The underlying software acquired was then separately valued at fair value at the date of acquisition.

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 shares is due to be issued in three equal annual instalments commencing April 2014.

PT Healthcare Solutions Corp ("PT Health")

On 26 September 2013 the Group acquired a 26% stake in PT Healthcare Solutions Corp (via a share-for-share exchange) with an option to acquire the remaining 74% of business. Whilst the Group's shareholding in PT Health is 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 IFRS10. PT Health is a leading provider of healthcare and rehabilitation services in Canada. 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 shares (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 relates 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 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 £41.9 million 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.

Quindell Property Services Limited

On 3 May 2013 the Group acquired the entire share capital of Quindell Property Services, a newly formed 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 services provided by Quindell Property Services will enable Quindell to accelerate the development of new products and propositions in the property claims sector, with the opportunity to build on Quindell Property Services' capabilities using Quindell's existing insurance and affiliate clients, help clients to create further differentiation in product offering, improve customer retention and drive down the cost of property claims.

The provisional fair value of the identifiable assets and liabilities of Quindell Property Services 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
- Shares (97,274,047)		11,846
- Deferred contingent shares (162,066,225)		18,175
- Fair value of non-controlling interest		3,122
- Revaluation of initial investment at the point of gaining control		(880)
Total consideration		33,638
Goodwill arising from acquisition		30,548

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 £30.5 million 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 the Quindell Property Services group. 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)	Consideration		Total £'000
		Shares £'000	Cash £'000	
Compass Costs Consultants Limited ("Compass Costs")	6 February	6,978	-	6,978
iSaaS Technology Limited ("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	-	7,405
Trade and other receivables	5,960	5,960
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		
- Shares (188,771,429 in total)		17,301
- Cash		1,965
Total consideration		19,266
Goodwill arising from acquisitions		12,355

Included in goodwill of £12.4 million is £4.9 million in respect of the Compass Costs, £3.0 million in respect of iSaaS and £4.5 million 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 them is considered to be their fair value. Included within Trade and other receivable balances acquired with R&R of £3.2 million which represents gross trade receivables of £4.4 million offset by a provision of £1.2 million. Other than this, 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 million.

Post acquisition performance

In aggregate the acquired subsidiaries contributed £40.2 million to the revenues for the year, being 10.1% of total Gross sales in the year. The aggregate contribution to the Group's profit before tax cannot be determined as Compass Costs was integrated into Quindell Legal Services Limited as from its date of acquisition and as such, its post acquisition profit performance is not capable of being separately identified. Analysis of the contribution to the performance of the Group for the major acquisitions was as follows:

iter8 £8.6 million revenue (2.2% of total Gross sales) and £3.6 million profit before tax in the 8.5 months post its acquisition compared to a warranted business plan of £3 million for the whole of 2013.

PT Health £9.4 million revenue (2.4% of total Gross sales) and £0.1 million profit before tax in the 3 months post its acquisition. This was in line with the Board's expectations as the business was restructured to position itself to meet its growth plan and EBITDA performance expectation for 2014 of £12 million.

Quindell Property Services £5.3 million revenue (1.3% of total Gross sales) and £1.2 million loss before tax in the 8 months post its acquisition compared to a warranted performance of £2 million profit before tax for the whole of 2013. This was also in line with the Board's expectations as the business was restructured to position itself to meet its growth plan and performance expectation for 2014 of £10 million profit before tax.

£16.9 million revenue was attributable to the Other acquisitions in aggregate and £4.1 million profit before tax was attributable to the Other acquisitions in aggregate, excluding Compass Costs.

Had the acquisitions occurred on 1 January 2013, Group revenues for the year from these acquisitions would have been £76.6 million. Of the major acquisitions noted above was **iter8** £12.2 million revenue and £5.2 million profit before tax, **PT Health** £36.1 million revenue and £0.5 million profit before tax, **Quindell Property Services** £8.1 million revenue and £1.9 million loss before tax with the remaining £20.2 million revenue and £5.3 million profit before tax attributable to the Other acquisitions in aggregate excluding central costs. In determining these amounts, management have assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 January 2013.

2012 Restated (See Note 2a)

The Company made six significant acquisitions during the year and eight smaller acquisitions. In each case, the acquirer obtained control through a combination of control over voting rights and positions on the board. As disclosed in note 2a, consistent with the treatment of 2013 acquisitions, prior year acquisitions have been restated to recognise the time value of money where consideration was locked in to future conditions. The total adjustment was £12.0 million and further information is included below showing the split of this across the relevant acquisitions.

Abstract Legal Holdings Limited ("AAH") – Restated (See Note 2a)

On 8 April 2013 the Group acquired the entire issued share capital of Abstract Legal Holdings Limited, the parent company of Accident Advice Helpline Limited. AAH is a leading ethical online consumer brand providing access to justice victims of non-fault accidents under a no-win, no-fee agreement. The primary reason for the acquisition was to enable the Group to enhance the range of products that it could offer to customers. As disclosed in note 2a, the acquisition date for ALH is now determined to be earlier under IFRS10 and, therefore has been assessed as 24 July 2012. The table below sets out the revised fair value of the identifiable assets and liabilities of AAH at the revised acquisition date rather than the contractual acquisition date of 9 April 2013.

	Carrying value £'000	Fair value £'000
Tangible fixed assets	44	44
Intangible assets	-	5,000
Trade and other receivables	7,237	7,237
Cash and cash equivalents	5,247	5,247
Trade and other payables	(9,074)	(9,074)
Deferred tax liabilities	-	(1,150)
Net assets acquired	3,454	7,304
Consideration		
- Shares (296,371,429)		34,817
- Cash		16,513
- Settlement of pre-existing partnering agreement		(4,716)
Total consideration		46,614
Goodwill arising from acquisition		39,310

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 £6,300,000. The goodwill of £39.3 million 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.

Legal Services businesses – Restated (See Note 2a)

On 21 December 2012 and 31 December 2012, the Group acquired the trade and certain assets and liabilities of three legal service businesses Silverbeck Rymer, Pinto Potts and The Compensation Lawyers. Each of these businesses were providers of legal services in relation to personal injury. The primary reason for the acquisition was to enable the Group to enhance the range of products that it could offer to customers.

As disclosed in note 2a, the acquisition date for these businesses, aggregated to form Quindell Legal Services is now considered to be earlier under IFRS10. These acquisitions are now consolidated into the group results from the following dates: Silverbeck Rymer 1 July 2012, Pinto Potts 17 August 2012 and The Compensation Lawyers 24 July 2012. Below sets out the revised fair value of the identifiable assets and liabilities of Quindell Legal Services at the revised acquisition dates.

	Carrying value £'000	Fair value £'000
Tangible fixed assets	360	360
Intangible assets	-	7,997
Trade and other receivables	34,626	34,626
Cash and cash equivalents	3,680	3,680
Trade and other payables	(28,818)	(28,818)
Net assets acquired	9,848	17,845
Consideration		
- Shares (187,166,666 in stages)		24,968
- Cash		13,530
- Deferred cash		1,500
- Settlement of pre-existing partnering agreement		(281)
Total consideration		39,717
Goodwill arising from acquisition		21,872

The net impact of the restatement under IFRS10 on Quindell Legal Services is that the net assets acquired were £0.2 million lower than previously estimated which was offset by a £1.8 million decrease in the provisional fair value of the deferred tax liabilities arising on the acquisition. In addition, the fair value of the consideration shares has been reviewed to take account of the time value of the share by discounting by the Group's cost of equity - the discount amount was £5,200,000 which has reduced goodwill accordingly. The timing impact of IFRS10 was insignificant due to the partnering agreement dates and revised acquisition dates being closely aligned. The goodwill of £21.9 million 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.

IT Freedom Limited – Restated (See Note 2a)

On 24 May 2012, the Group acquired the entire issued share capital IT Freedom Limited ("IT Freedom"), a software solutions delivery company. The primary reason for the acquisition was for IT Freedom to provide delivery capacity to cope with the significant pipelines already established by the Group.

As explained in note 2a above, a restatement has taken place as 33,031,533 (out of 49,713,669) shares and £3,000,000 deferred cash consideration previously treated as consideration for the acquisition have now been treated as linked to post combination vendor remuneration as entitlement to certain shares issued as consideration to two of key vendors was linked to their ongoing employment with the Group. Removing the 33,031,533 shares and £3,000,000 cash from the acquisition accounting has reduced goodwill by £4.8 million. The 33,031,533 shares have been valued under share based payment rules and a share based payment charge recognised in the Consolidated Income Statement in the current and prior year. The £3,000,000 cash is being recognised as an exceptional cost across the three year period with a £962,000 charge in the current year (2012: £538,000). Additional disclosure is included in Notes 8 and 28. Below sets out the revised acquisition note for IT Freedom at the acquisition date amending for the reduced consideration. The resultant reduction in goodwill was £4,816,000.

	Carrying value £'000	Fair value £'000
Tangible fixed assets	4	4
Intangible assets	1,669	2,630
Trade and other receivables	277	277
Cash and cash equivalents	70	70
Other secured loans	(181)	(181)
Trade and other payables	(2,229)	(2,229)
Deferred tax liabilities	(376)	(597)
Net assets acquired	(766)	(26)
Consideration		
- Shares (16,682,136 previously 49,713,669) – re-stated		918
- Cash		500
- Deferred cash – re-stated (previously £3,000,000)		-
Total consideration – re-stated (previously £6,234,000)		1,418
Goodwill arising from acquisition – re-stated (previously £6,260,000)		1,444

Quindell Business Process Services Limited (formerly Ai Claims Solutions plc)

On 25 January 2012 the Group acquired a 29.9% stake in Quindell Business Process Services. On 2 April 2012 the Group acquired a further 47.7% and announced a public offer for the remaining 22.4%, which resulted in the Group owning circa 98.4% of Quindell Business Process Services. The group's effective control date over Quindell Business Process Services was 2 April 2012 and the business was consolidated into the group's results from that date. In the first year since acquisition, the Directors have reviewed and amended the provisional fair values reported in 2012 of the identifiable assets and liabilities of Quindell Business Process Services acquired and the goodwill thereon. The effect of this change is to reduce the value of trade and other receivables acquired on acquisition by £1,295,000 which has had a corresponding increase to the goodwill associated with the Quindell Business Process Services acquisition from £3.2 million (as previously stated) to £4.5 million. This increase to goodwill has been reported as a 2013 goodwill addition in note 15.

Quintica Holdings Limited ("Quintica")

On 18 September 2012 the Group acquired a 100% shareholding in Quintica. Within the first year post-acquisition, the Directors have reviewed and amended the provisional fair values reported in 2012 of the identifiable assets and liabilities of Quintica acquired and the goodwill thereon. In addition, the value of the consideration 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 £500,000. The effect of this change is to increase the value of trade and other payables assumed on acquisition by £609,000 and increase the goodwill associated with the Quintica acquisition by £109,000 from £5.7 million (as previously stated) to £5.8 million. This increase to goodwill has been reported as a 2013 goodwill addition in note 15.

Other acquisitions

The fair value of the identifiable assets and liabilities of the remaining entities acquired in 2012 in aggregate at acquisition date totalled net assets of £1.2 million, with consideration of £31.5 million resulting in goodwill of £30.3 million.

36. DISPOSAL OF INTERESTS IN PROPERTY, SUBSIDIARY UNDERTAKING AND OPERATION

The Group disposed of freehold land and property on 1 September 2013 for consideration of £1,950,000 (with no gain or loss arising on this transaction), its interests in Quindell Solutions Limited on 31 December 2013 for consideration of £50,000 (resulting in a gain of £37,000) and PT Healthcare Solutions Corp's Senior Wellness operations on 31 December 2013 for consideration of £480,000 (with no gain or loss arising on this disposal)

In aggregate, the net assets of these disposals as at their respective disposal dates were

	£'000
Tangible fixed assets	2,142
Intangible assets	322
Trade and other receivables	50
Trade and other payables	(71)
	2,443
Profit on disposal	37
Total consideration (all satisfied by cash)	2,480

The activities connected to these disposals did not have a significant impact on the Group's results in either the current or prior year

37. 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 prior year, the Group acquired a number of businesses which operate in the same market and have inter-trading relationships in their capacity as an outsourcing supplier or customer. The Group also adopts a strategy of working closely and building relationships with its consultancy clients and partners and often works together with prospective acquisition targets ahead of making any final decisions on whether to invest in a business. Information in relation to activities between the Group and Himex Limited is included in Note 38.

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

2013

The following revenues, and those included in note 38, were earned by the Group in relation to activities between the parties and the Group during the current financial year prior to the entities listed becoming subsidiaries, associates or businesses subsumed within the Group

	£'000
Ferneham Health Limited	79
Ingenie group of companies	9,360
	9,439

There were no costs paid by the Group in relation to activities between the parties and the Group during the current financial year prior to the entities listed becoming subsidiaries, associates or businesses subsumed within the Group

During the year, the Group made sales of £1,000 to, and purchased goods and services totalling £77,000 and fixed assets of £90,000 during the year from Advance Data Simulations Limited, a company controlled by R Terry

2012

The following revenues were earned by the Group in relation to activities between the parties and the Group during the year prior to the entities listed becoming subsidiaries

	£'000
Intelligent Claims Management Limited	175
Overland Associates Limited	693
Quintica Holdings Limited	800
	1,668

The following costs were incurred by the Group in relation to activities between the parties and the Group during the year prior to the entities listed becoming subsidiaries or businesses subsumed within the Group

	£'000
Intelligent Claims Management Limited	75
Quintica Holdings Limited	750
	825

The Group made sales of £605,000 and purchased goods and services totalling £405,000 during the year to Advance Data Simulations Limited, a company controlled by R Terry

Transactions with directors

2013

Bickleigh Ridge Limited, a company connected to S Scott invoiced the Group £266,000 for consultancy services. At the end of the year the balance owed by the Group in relation to these services was £nil

A Bowers invoiced the Group £31,000 for consultancy services. At the end of the year the balance owed by the Group in relation to these services was £4,875

2012

Bickleigh Ridge Limited invoiced the Group £192,000 for consultancy services. At the end of the year the balance owed by the Group in relation to these services was £25,000

In July 2007, Bickleigh Ridge Limited loaned IT Freedom Limited £75,000. At the time the Group acquired IT Freedom Limited in May 2012 the outstanding balance was approximately £27,800 and was accruing interest at a rate of 3.69% per annum. The final repayment of this loan being £28,315 was made on 18 January 2013. S Scott was a director of IT Freedom Limited prior to its acquisition by the Group.

A Bowers invoiced the Group £17,000 for consultancy services. At the end of the year the balance owed by the Group in relation to these services was £8,000

On 24 May 2012, A Scott, wife of S Scott, was issued 3,769,477 shares in the Company associated with the acquisition of IT Freedom Limited

On 26 September 2012, Ubiquity Capital LLP, a business connected to J Cale, acquired 8,400,000 shares in the Company associated with the acquisition of Overland Health

Compensation of key management personnel

The remuneration of directors, being the key management personnel, during the year was as follows

	2013 £'000	2012 £'000
Wages and salaries paid to key management personnel ¹	2,003	1,421
Social security costs ¹	264	172
	2,267	1,593

Note

1 Including in aggregate £149,000 (2012: £97,000) paid to close family members employed in positions by a subsidiary undertaking in respect of wages, salaries and social security costs

38. POST BALANCE SHEET EVENTS

Since 31 December 2013, the following events have occurred

Reason for issue	Date of issue (2014)	Issue price Pence	Shares issued Number
Acquisitions			
ACH Manchester and associated companies	14 January	22 125	117,812,500
Crusader Group of companies	14 January	22 125	34,285,714
Enzyme International Limited (deferred consideration)	14 January	22 125	20,500,000
Himex Group of companies	17 February	39 625	325,000,000
PT Healthcare Solutions Corp	28 March	38 75	100,000,000
Investments and associates			
ingenie Limited	4 February	31 125	15,348,836
Exercise of warrants	4 February	2 470	4,048,583
			516,995,633

On 14 January 2014, the Group acquired 100% of ACH Manchester and associated companies. The terms of the acquisition were satisfied by the issue of 117,812,500 shares in January 2014 and the payment of £5,000,000 in cash in December 2013. Prior to acquisition by the Group, ACH Manchester was a referral source to Quindell's Legal Services businesses, with specific sector expertise. Revenues to ACH Manchester of £3,300,000 were recognised by the Group during 2013 (2012: £nil). The value of purchases from ACH Manchester was £5,407,000 in 2013 (2012: £1,019,000). All transactions were at arms-length market prices. Any value in relation to the pre-existing relationship was effectively settled when the Group acquired ACH Manchester and no amounts have been attributed to the consideration transferred. The primary reason for the acquisition was as an infill acquisition in order to support the taking on of significant volume from further organic growth. Any goodwill arising from the transaction represents the value to the Group that can be driven from the 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 will not be separately recognised.

On 14 January 2014, following receipt of FCA approval for the acquisition of the Crusader Group, 34,285,714 shares were issued together with the payment of £1 million cash to satisfy the terms of this acquisition (100%). Two further payments of £1 million after the end of each of the two annual warranted profit periods will also be payable. 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. Any goodwill arising from the transaction represents the value to the Group that can be driven from the 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 will not be separately recognised. The value of purchases from Crusader was £6,159,000 in 2013 (2012: £nil).

On 4 February 2014, the Group increased its investment in Himex Limited in total by 66% to circa 85% ("Himex Investment"). The terms of the Himex Investment were satisfied by the payment of £23.0 million in cash and the issue of 325 million shares. Revenues totalled £15.1 million during the year in respect of licencing for onward US distribution of telematics sales and the supply of telematics devices for joint opportunities. Purchases totalled £10.0 million for the supply of Himex technology solutions in relation to Quindell sales primarily within the UK and Canada and in support of other global opportunities. Any value in relation to the pre-existing relationship was effectively settled when the Group acquired Himex and no amounts have been attributed to the consideration transferred. 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 current proposition in the telematics market. Any goodwill arising from the transaction represents the value to the Group that can be driven from the 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 will not be separately recognised.

On 4 February 2014, the Group also increased its investment in ingenie Limited ("ingenie") by 6% to circa 49% ("ingenie Investment"). The terms of the ingenie Investment were satisfied by the issue of 15,348,836 shares. In addition, since the year end, the Group was granted an option from shareholders, who in combination with Quindell represent 100% of the shares in ingenie (the "ingenie Option"). The terms of the ingenie Option would see the Group issuing a maximum of 190 million shares to achieve 100% ownership. The ingenie Option can be exercised up to 31 January 2015. The primary reason for the acquisition was to enhance the group's telematics offering in certain territories, including the UK. Any goodwill arising from the transaction represents the value to the Group that can be driven from the 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 will not be separately recognised.

On 26 September 2013 the Group acquired a 26% stake in PT Healthcare Solutions Corp ("PT Health") with an option to acquire the remaining 74% of business in exchange for the issue of 242,000,000 shares in the Company. As at 31 December 2013, the Directors concluded that the Group controlled PT Health by virtue of the put and call options (the "Initial Option") that existed 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. On 28 March 2014, without either party having exercised the Initial Option, the Group and PT Health amended their agreement. On 28 March 2014, the Company issued 100,000,000 shares, acquiring a further 23.9% stake in PT Health as part of a share-for-share exchange. A put and call option was also agreed, expiring on 30 June 2014, enabling the acquisition of the remaining equity shares in PT Health by the Group in exchange for 142,000,000 of the Company's shares. As a result, the goodwill recorded in the Statement of Financial Position as at 31 December 2013 in relation to PT Health of £42,115,000 will be reduced by approximately £14,018,000.

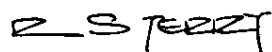
The initial accounting for each of these post year-end business combinations is incomplete at the time these financial statements are authorised for issue due to the proximity of the acquisitions to the reporting date. For all acquisitions post year-end, where contingent or deferred consideration (cash or shares) is linked to future performance conditions in the event that any such conditions are not met then these contingent elements are subject to clawback provisions. The amount of such consideration subject to clawback regarding the above acquisitions is £38.2 million. The range of potential outcomes that could arise as an indemnification asset is therefore £nil to £38.2 million.

COMPANY BALANCE SHEET

as at 31 December 2013

			Restated See Note 39
	Note	2013 £'000	2012 £'000
Fixed assets			
Intangible assets	40	12,337	-
Tangible assets	41	1,565	1,303
Investments in subsidiaries	42	271,130	161,012
Interests in associates	42	35,463	-
Fixed asset investments	42	3,188	7,142
		323,683	169,457
Current assets			
Debtors	43	172,187	61,127
Cash at bank and in hand		119,908	28,495
		292,095	89,622
Creditors amounts falling due within one year	44	(28,136)	(19,724)
Net current assets		263,959	69,898
Total assets less current liabilities		587,642	239,355
Creditors amounts falling after more than one year	44	(7)	(7)
Net assets		587,635	239,348
Capital and reserves			
Share capital	45	56,700	36,216
Share premium account	46	321,408	102,026
Merger reserve	46	124,699	74,318
Shares to be issued	46	54,151	30,178
Equity reserve	46	54	54
Share based payments reserve	46	6,153	(1,242)
Retained earnings	46	24,470	(2,202)
Total shareholders' funds	47	587,635	239,348

The financial statements of Quindell Plc, registered number 5542221, on pages 86 to 93 were approved and authorised for issue by the board of directors on 29 March 2014 and signed on its behalf by



R S Terry
Director



L Moorse
Director

39. ACCOUNTING POLICIES

Statement of accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the current and preceding year, is set out below

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards

Prior Year Adjustments

Consistent with aspects of Note 2a to the Group accounts above, two changes of accounting policy have been adopted for the Company this year. There are:

Share based payments for acquisition consideration treated as vendor remuneration

In accordance with FRS 7 the prior year acquisition of IT Freedom Limited has been re-stated to reflect that a portion of consideration (for two of the key vendors) previously treated as a cost of acquisition (and shown within Investments) was linked to their ongoing employment with the Group and should be treated as post combination vendor remuneration. Further information is included in Note 2a to the Group accounts. The impact of this adjustment was that Investments and Share Premium was reduced by £4.8 million and administrative cost charges have been recognised in the Income Statement in 2012 of £0.8 million. In 2013 administrative cost charges have been recognised in the Income Statement of £1.4 million. Future cost charges will be recorded in the Income Statement in both 2014 and 2015.

Discounting of cost of acquisition monies

In accordance with FRS 7 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 balance sheet is £8.4 million (2012: £12.0 million). The financial statement line items impacted are a reduction in Investments and a corresponding reduction in Share Premium for the amounts noted. Further information on these adjustments is included in Notes 2a and 35 to the Group accounts.

Property, plant and equipment

Property, plant and equipment are 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
Improvement to freehold land and buildings	5%-10% 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.

Investments

Fixed asset investments are stated at cost less provision for any impairment in value.

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 balance sheet date.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

Share-based payments

The Company has accounted for share based payments in respect of the RAC warrants, the options and the post vendor consideration remuneration on which further details are provided in notes 2a, 3 and 27 as well as the Prior Year Adjustments section above.

Related party transactions and cash flow statement

The Company is the ultimate parent undertaking of the Quindell group and is therefore included in the consolidated financial statements of that group, which are publicly available. Consequently the Company has taken advantage of the exemptions from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996) - Cash Flow Statements, and the exemptions under Financial Reporting Standard 8 - Related Party Disclosures relating to the disclosure of transactions with other group companies.

40. INTANGIBLE ASSETS

	Customer contracts, data, brands and relationships £'000	Total £'000
Cost		
At 1 January 2012 and 1 January 2013	-	-
Additions	13,125	13,125
At 31 December 2013	13,125	13,125
Amortisation		
At 1 January 2012 and 1 January 2013	-	-
Charge for the year	788	788
At 31 December 2013	788	788
Net book value		
31 December 2013	12,337	12,337
31 December 2012	-	-

41. TANGIBLE ASSETS

	Freehold land and buildings £'000	Total £'000
Cost		
At 1 January 2012	-	-
Additions	1,303	1,303
At 1 January 2013	1,303	1,303
Additions	372	372
At 31 December 2013	1,675	1,675
Depreciation		
At 1 January 2012	-	-
Charge for the year	-	-
At 1 January 2013	-	-
Charge for the year	110	110
At 31 December 2013	110	110
Net book value		
31 December 2013	1,565	1,565
31 December 2012	1,303	1,303

42. INVESTMENTS

	Shares in investments £'000	Shares in associates £'000	Shares in group undertakings £'000	Total £'000
Cost				
At 1 January 2012	1,238	1,206	46,833	49,277
Additions	5,904	-	115,845	121,749
At 1 January 2013 Restated (See Note 39)	7,142	1,206	162,678	171,026
Additions	1,687	32,176	107,764	141,627
Disposals	-	-	(1,666)	(1,666)
Reclassifications	(5,641)	3,287	2,354	-
At 31 December 2013	3,188	36,669	271,130	310,987
Impairment				
At 1 January 2012	-	1,206	1,666	2,872
Charge for the year	-	-	-	-
At 1 January 2013	-	1,206	1,666	2,872
Charge for the year	-	-	-	-
Disposals	-	-	(1,666)	(1,666)
At 31 December 2013	-	1,206	-	1,206
Net book value				
31 December 2013	3,188	35,463	271,130	309,781
31 December 2012 Restated (See Note 39)	7,142	-	161,012	168,154

The following information relates to the principal subsidiary 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 subsidiary	Country of incorporation	Nature of holding
Accident Advice Helpline Direct Limited	UK	Indirect
Business Advisory Service Limited	UK	Direct
Intelligent Claims Management Limited	UK	Direct
iSaaS Technology Limited	UK	Direct
Maine Finance Limited	UK	Indirect
Metaskil Group Limited	UK	Direct
Mobile Doctors Group Limited	UK	Direct
Overland Limited	Malta	Direct
PT Healthcare Solutions Corp (26 0%)	Canada	Indirect
Quindell Business Process Services Limited (98 7%)	UK	Direct
Quindell Enterprise Technology Solutions Limited	UK	Direct
Quindell Legal Services Limited	UK	Direct
Quindell Technologies Limited (formerly Quindell Limited)	UK	Direct
Quindell Property Services Limited	UK	Direct
Quindell Solutions Inc	Canada	Indirect
Quintica Group FZ LLC	Dubai	Indirect
Quintica SA (PTY) Limited	South Africa	Indirect
React and Recover Medical Group Limited	UK	Direct
SMI Telecoms Distribution LLC	USA	Indirect

The following information relates to the principal interests in associates of the Company

	Country of incorporation	Percentage holding	Nature of holding
Ingenie Limited	UK	43.7%	Direct
Ingenie (UK) Limited	UK	40.0%	Direct
Ingenie (Canada) Limited	Canada	40.0%	Indirect
Ingenie (US) Limited	USA	49.9%	Direct
Nationwide Accident Repair Services plc	UK	25.3%	Direct
Himex Limited	UK	19.0%	Direct

The cost to the Company of acquiring its interest in associates during the year was £32.2 million. This includes an investment of £15.6 million in respect of the Ingenie group, £6.8 million for Himex Limited and £9.6 million for Nationwide Accident Repair Services plc.

The following information relates to the principal fixed asset investments of the Company

	Country of incorporation	Percentage holding	Nature of holding
SMI Telecoms Distribution LLC	USA	19.0%	Indirect

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

43. DEBTORS

	2013 £'000	2012 £'000
Other debtors	7,042	11,757
Prepayments	6,165	21
Amounts due from subsidiary undertakings	157,336	36,052
Corporation tax	1,644	-
Derivative financial instruments	-	13,297
	172,187	61,127

All debtors fall due within one year of the balance sheet date.

44. CREDITORS

	2013 £'000	Restated See Note 39 2012 £'000
Amounts falling due within one year		
Other loans	2,000	-
Trade payables	1,930	526
Amounts owed to group undertakings	17,683	17,309
Other creditors	3,000	-
Accruals	3,523	1,889
	28,136	19,724
Amounts falling due in more than one year		
Deferred tax liability	7	7
	7	7

45. CALLED UP SHARE CAPITAL

	2013		2012	
	Number '000	Nominal Value '000	Number '000	Nominal Value £'000
Issued and fully paid				
At the start of the year	3,621,602	36,216	2,004,114	20,041
Issued during the year	2,048,377	20,484	1,617,488	16,175
At the end of the year	5,669,979	56,700	3,621,602	36,216

The Company has one class of Ordinary Shares which carry no right to fixed income. Details of Ordinary Shares issued is given in Note 26 to the Group financial statements. The Company recognised total expenses of £163,000 (2012: £nil) related to equity-settled share-based payment transactions.

46. RESERVES

	Share premium account £'000	Merger reserve £'000	Shares to be issued £'000	Equity reserve £'000	Share based payment reserve £'000	Retained earnings £'000
1 January 2012	8,145	25,825	106	54	-	(4,663)
On issue of shares	98,878	48,493	(106)	-	(1,514)	-
Expenses of issue of equity shares	(4,997)	-	-	-	-	-
Shares to be issued	-	-	30,178	-	-	-
Share-based payments	-	-	-	-	272	-
Gain on sale of treasury shares	-	-	-	-	-	3,231
Retained loss for the year	-	-	-	-	-	(770)
1 January 2013 Restated (See Note 39)	102,026	74,318	30,178	54	(1,242)	(2,202)
On issue of shares	226,744	50,381	(30,178)	-	-	-
Expenses of issue of equity shares	(10,593)	-	-	-	-	-
Deferred consideration on acquisitions	-	-	54,151	-	-	-
Transfer of prior year gain on sale of treasury shares	3,231	-	-	-	-	(3,231)
Share-based payments	-	-	-	-	7,395	-
Retained profit for the year	-	-	-	-	-	29,903
At 31 December 2013	321,408	124,699	54,151	54	6,153	24,470

47. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2013 £'000	Restated See Note 39 2012 £'000
Profit/(loss) for the financial year	29,903	(770)
Gain on sale of treasury shares	-	3,231
Share capital issued	293,316	152,249
Shares to be issued	17,673	36,372
Share based payments	7,395	(1,242)
Net change in shareholders' funds	348,287	189,840
Opening shareholders' funds	239,348	49,508
Closing shareholders' funds	587,635	239,348

48. ULTIMATE CONTROLLING PARTY

There are no shareholders with overall control of the Company as at 31 December 2013 or 31 December 2012

49. CONTINGENT LIABILITIES

At the year end, Quindell Plc has, in relation to Section 479 of the Companies Act 2006, guaranteed all liabilities of those subsidiary companies listed below. The value of the contingent liability resulting from this guarantee is unknown at the year end.

Name of subsidiary

Abstract Legal Holdings Limited
Access to Compensation Limited
Accident Advice Helpline Direct Limited
Accident Advice Helpline Limited
Accident Advice Insurance Management Group Limited
BestPriceHotDeals Limited
BE Insulated Limited
Brand Extension (UK) Limited
Business Advisory Service Limited
Compass Costs Consultants Limited
Enzyme International Limited
InfoCap Technologies Limited
Intelligent Claims Management Limited
iSaaS Technology Limited
Legal Facilities Management and Services Limited
Liberty Protect Limited
Medicalaw Limited
Medici Legal Limited
Metaskil Group Limited
Mobile Doctors Group Limited
Mobile Doctors Solutions Limited
Quindell Resourcing Limited
Open Square Limited
Overland Associates Limited
QPS Energy Limited
QPS Scaffolding Limited
QPS South West Limited
QSM (UK) Limited

Name of subsidiary

Quindell Champion and Challenger Methods Limited
Quindell Enterprise Solutions Limited
Quindell Motor Services Limited
Quindell Property Services Limited
Quindell Technologies Limited
Quindell Solutions Limited
Quintica Holdings Limited
React and Recover Medical Group Limited
React Medical Management Limited
React Medical Reporting Limited
Recover Healthcare Limited
Retrieval Technologies Limited
Sentinel Alliance Limited
SH Auto Services Limited
SMI Telecoms Distribution Limited
Sunlite Solutions Limited
SWB Consulting Limited
UK Sun Limited
Utility Supplier Services Limited
Utility Switch Limited
Withyouin5.com Limited
360Capital Limited
360Corporate Limited
360GlobalNet Limited
360Intellimation Limited
360Siteview Limited
360Skylens Limited
360Spatial Limited

50. RELATED PARTY TRANSACTIONS

Exemption has been taken under FRS 8 from disclosing related party transactions between the Company and its subsidiary undertakings. In respect of the entities in which the companies has less than 100% ownership, transactions were only undertaken between the Company and Himex Limited. Further information is contained within note 38 of the Group Accounts.

The Directors of Quindell Plc had no material transactions with the Company during the year, other than disclosed in the Directors' Remuneration Report on pages 26 to 27 or as described in note 37 to the Group Financial Statements.

Officers and Professional Advisors

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Mr R S Terry
Mr L Moorse
Mr S Scott
Mr A Bowers
Mr R Burrow
Mr R Bright
Vice Admiral R Cooling CB

Secretary

Mr I Farrelly

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Lloyds TSB Bank plc
The Atrium, Davidson House
Forbury Square
Reading, RG1 3EU

Yorkshire Bank
The Chancery, First Floor
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Broker and Nominated Advisor

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Broker and Financial Advisor

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Registrar

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The Registry, 34 Beckenham Road
Beckenham, Kent, BR3 4TU

Four Year Summary

	2013 £'000	2012 £'000	2011 £'000	2010 £'000
<i>Group Income Statement</i>				
Gross sales	398,736	170,158	13,707	154
Revenue	380,131	163,004	13,707	154
Adjusted EBITDA	137,651	52,236	6,690	(81)
Adjusted profit before tax	133,731	49,155	6,343	(99)
Profit before tax	107,046	35,359	4,065	(99)
Basic EPS	1 971p	1 005p	0 472p	(0 092p)
Adjusted Basic EPS	2 535p	1 453p	0 730p	(0 092p)
<i>Group Statement of Financial Position</i>				
Non-current assets	353,694	188,648	60,516	600
Current assets	527,787	226,081	35,707	646
	881,481	414,729	96,223	1,246
Liabilities	(213,963)	(142,569)	(41,748)	(698)
	667,518	272,160	54,475	548
Equity attributable to equity holders of the parent	663,772	271,885	54,478	548
Non-controlling interests	3,746	275	(3)	-
	667,518	272,160	54,475	548
<i>Cash Flow</i>				
Adjusted Operating cash flow	20,078	38,798	5,528	8
Cash at end of the year	199,596	48,050	3,711	643
Net funds/(debt)	140,221	17,377	(13,361)	(21)

For the definition and reconciliation of Gross sales, Adjusted EBITDA, Adjusted profit before tax, Adjusted Basic EPS and Adjusted Operating cash flow, see note 5

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