

Quindell PLC

Interim Report for the 6 months

ended 30 June 2015

Chairman's Statement

The year to date has been extremely busy for the Group, with the sale in the first half of the Professional Services Division ("PSD") followed by the publication of a complex set of accounts for the year ended 31 December 2014, the appointment of a new Board and the commencement of the strategic work for the future. We have recently welcomed our new Group Chief Executive Officer, Indro Mukerjee, who is leading the changes that will be happening across the Group. The management team is focussed on delivering shareholder value as well as a fantastic customer offering across all of our divisions.

Results

The results for the period comprise the continuing operations of the Group's remaining businesses as at 30 June 2015 and those discontinued operations relating to the PSD, which had been disposed of by that date. The trading results for the discontinued operations are shown as one line in the Condensed Consolidated Income Statement and the profit arising on the disposal of the PSD is shown as separate line within discontinued operations. In other respects all references in this statement refer to the results of the continuing operations.

The comparative results for the 6 months ended 30 June 2014, contained within the Condensed Consolidated Income Statement and Condensed Consolidated Cashflow Statement, have been restated to incorporate equivalent adjustments to those reported in the financial statements for the year ended 31 December 2014. Further details are provided in note 2.

Revenue has decreased by £7.5m to £35.3m (2014: £42.8m). Revenue in the businesses that provide technology solutions to the insurance sector (comprising Himex, QSI, Ingenie and QETS) remained stable at £13.0m (2014: £13.4m). Revenue contributed by PT Health was £12.9m (2014: £14.3m), whilst the other technology and property services businesses saw revenues fall by £4.7m to £8.7m (2014: £13.4m). We have benefitted from the inclusion of Ingenie for the full 6 months, but have seen a fall in revenues in Himex due to a temporary interruption in supply within one of our US customers and a slowdown in new software sales by QETS in the UK and Canada due to issues concerning the Quindell brand. We have seen a material slow down in activity in the property services businesses, which have been affected by Government policy and subsidy changes significantly impacting our energy efficiency related installations.

Gross margin declined by £6.3m to £10.3m (2014: £16.6m), reflecting lower revenues and reduced margins in the technology (utilisation) and property services (price pressure) businesses. With an increase in volume in our technology businesses, we will see the margin improve due to the relatively fixed cost base in those companies. Administrative costs have reduced to £49.3m (2014: £76.6m). This is attributable to reduced impairment and other exceptional costs. Normalised administrative costs remained broadly flat at £33.9m (2014: £34.5m).

Other income of £2.8m represents a gain on the sale of 360 Globalnet Limited. A further gain of £485.9m arose on the disposal of the PSD (further details are set out in note 9). The Group incurred net interest charges of £0.5m, prior to the disposal of the PSD.

The balance sheet is strong with net assets of £699.0m and cash in hand of £548.4m. We currently have a further £50.0m held in escrow as security for potential warranty claims and £5.0m as security for adjustments to the completion accounts relating to the disposal of the PSD. In addition, we anticipate contingent sales consideration relating to the disposal of the PSD of approximately £39.6m which we expect will come through

as cash held by the Group in due course and for prudence have not recorded this as an asset within our overall net assets.

Current trading and outlook

Trading for the Group's continuing operations since 30 June 2015 is broadly in line with the first half predominantly as a result of the challenges the Group faces due to ongoing reputational issues and the need to develop strong value propositions to best make use of its capabilities. The Group has focused its efforts on ensuring that the issues of the past have been properly identified, reported appropriately and resolved. The Group has not identified any further matters requiring additional disclosure beyond that made at the time of the Group's Report and Accounts for the year ended 31 December 2014. We are now focussed on creating a strong and clear value proposition and "go to market" strategy.

The Group's insurance solutions businesses have a solid technology base to move forward with. This includes technologies which span the market from innovative usage based insurance (UBI) solutions from Himex to award winning policy and claims solutions from QETS and QSI through to Ingenie which was awarded Telematics Champion of the year by the Insurance Times as part of its Tech awards earlier this month.

With the appointment of our new Group CEO on 7 September 2015, the final quarter of 2015 will see activity in all businesses and a particular focus on the areas of strategic development, market engagement, sales and marketing and cash management. Indro has already started with a mind-set which recognises the need to deal with the historic and current challenges and will identify and take action to exploit the opportunities pragmatically and with vigour and speed. We would intend to start sharing strategic plans for the future around the turn of the year.

Regulatory Matters

As announced on 24 June 2015, we were informed on 23 June 2015 that the Financial Conduct Authority ("FCA") had commenced an investigation into the historic public statements made regarding the financial results of the Company during 2013 and 2014. On 5 August 2015, the Serious Fraud Office ("SFO") informed the Company that it had opened an investigation relating to past business and accounting practices at the Company. On the same date, the Financial Reporting Council advised the Company that, in light of the positive actions taken by the Directors in correcting the identified errors, amending accounting policies and providing their undertakings, the Committee had closed its review of the 2011 and 2012 report and accounts. On 18 August 2015, the FCA announced that, in light of the above investigation by the SFO it had decided to discontinue its own investigation with immediate effect. Accordingly, we continue to co-operate fully with the SFO investigation which is now the only ongoing investigation to which the Company is subject.

Return of Capital

The Company is commencing the process to create distributable reserves. This is a necessary step before we can make a return of capital and commence any share buy back, if deemed appropriate. The amount of any return to shareholders will be determined in the near future and, in deciding the appropriate quantum to be distributed, the Board will need to ensure the interests of creditors are adequately safeguarded (including in respect of any contingent liabilities). The Board is working with advisers to assess the Group's contingent liabilities.

As announced on 29 September 2015, the Company has received a letter described as a "Notice of Intended Claim" from a law firm acting for a claimant group suggesting that it intends to commence an action against the Company under the Financial Services and Markets Act 2000 ("Notice").

Whilst the Company is not in a position to verify the assertions in the Notice (as no claim has been received as yet), the Notice estimates the value of the potential claims against the Company to be a maximum of approximately £9 million before costs (if awarded). There can be no guarantee that other claims will not be made against the Company and, in particular, the claimant firm details that it has been approached, but not

retained, by other potential claimants who together, it asserts, would have a claim of a maximum value of a further £9 million.

The Company is not aware, and has not been made aware, of any other law firms acting for (or in the process of forming) other claimant groups.

The Notice provides little detail on the potential claim or the timing of the pre-action Letter of Claim and no information to support the valuation of the individual prospective claimants' claims, which would require to be proved in due course in any litigation. At this stage, the Company will vigorously defend all such claims, as appropriate.

Sufficient funds will be retained for operational purposes, to protect and deliver shareholder value and to cover contingent liabilities. Subject, inter alia, to Court approval, the stated desire of the Board is to make a capital distribution of at least £1 per ordinary share and up to £500 million. The Board is in the process of determining, with its advisers, the exact amount, form and methodology of the capital return which will be proposed to shareholders.

A capital return will require both the approval of shareholders and Court approval for a capital reduction. We currently anticipate a General Meeting in November 2015 and expect the Court date for the approval to be on 2 December 2015 with a capital return taking place shortly thereafter.

Summary

We continue to make good progress and have a refocussed Group. We have some exciting opportunities ahead, and as we continue to put the past behind us, we look forward to the future.

Condensed Consolidated Income Statement

for the period ended 30 June 2015

	Note	Six months ended 30 June 2015 (unaudited) £'000	Restated six months ended 30 June 2014 (unaudited) £'000
Revenue	4	35,328	42,836
Cost of sales		(25,075)	(26,197)
Gross profit		10,253	16,639
Administrative expenses			
- Normal		(33,934)	(34,535)
- Share-based payments		(6,276)	(3,744)
- Impairments	5	(4,571)	(14,360)
- Other exceptional costs	5	(3,273)	(23,963)
Total administrative expenses		(48,054)	(76,602)
Other income – exceptional	6	2,848	23,036
Share of results of associates		-	1,391
Group operating loss		(34,953)	(35,536)
Finance income		336	283
Finance expense		(838)	(439)
Loss before taxation		(35,455)	(35,692)
Taxation		2,286	5,933
Loss after taxation for the year from continuing operations		(33,169)	(29,759)
Discontinued operations			
Net gain on disposal of PSD	9	485,857	-
Loss for the period from discontinued operations (attributable to equity holders of the Company)		(38,135)	(51,327)
Profit/(loss) for the period		414,553	(81,086)
Attributable to:			
Equity holders of the parent		414,525	(81,938)
Non-controlling interests		28	852
		414,553	(81,086)
Earnings/(loss) per share from continuing and discontinued operations attributable to owners of the parent during the period		Pence	Pence
Basic earnings/(loss) per share			
From continuing operations		(7.349)	(7.151)
From discontinued operations		99.119	(12.334)
From earnings/(loss) for the period		91.770	(19.485)
Diluted earnings/(loss) per share			
From continuing operations		(7.349)	(7.151)
From discontinued operations		99.119	(12.334)
From earnings/(loss) for the period		91.770	(19.485)

Condensed Consolidated Statement of Financial Position

as at 30 June 2015

	Note	At 30 June 2015 (unaudited) £'000	At 31 December 2014 (unaudited) £'000
Non-current assets			
Goodwill		96,975	97,832
Other intangible assets		59,780	66,271
Property, plant and equipment		10,704	14,091
Interests in associates		100	7,169
Investments		2,559	4,017
		170,118	189,380
Current assets			
Inventories		3,354	3,473
Trade and other receivables	7	78,600	32,863
Corporation tax assets		8,243	7,196
Cash		548,425	42,036
		638,622	85,568
Assets of disposal group classified as held for sale		-	303,674
Total assets		808,740	578,622
Current liabilities			
Bank overdraft		(54)	(4,968)
Borrowings		(587)	(3,133)
Trade and other payables	8	(58,098)	(73,810)
Obligations under finance leases		(251)	(1,081)
Provisions		(36,777)	(30,809)
		(95,767)	(113,801)
Liabilities of disposal group classified as held for sale		-	(182,845)
		(95,767)	(296,646)
Non-current liabilities			
Borrowings		(5,005)	(4,947)
Obligations under finance leases		(105)	(1,080)
Provisions		(257)	(257)
Deferred tax liabilities		(8,592)	(11,196)
		(13,959)	(17,480)
Total liabilities		(109,726)	(314,126)
Net assets		699,014	264,496
Equity			
Share capital	11	66,744	65,467
Share premium account		438,349	430,070
Reverse acquisition and merger reserve		178,258	178,258
Shares to be issued		29,376	30,744
Other reserves		44,088	31,036
Foreign currency translation reserve		(2,701)	(2,401)
Retained earnings		(58,218)	(472,743)
Equity attributable to equity holders of the parent		695,896	260,431
Non-controlling interests		3,118	4,065
Total equity		699,014	264,496

Company Registration Number: 05542221

Condensed Consolidated Cash Flow Statement

for the period ended 30 June 2015

	Note	Six months ended 30 June 2015 (unaudited) £'000	Restated six months ended 30 June 2014 (unaudited) £'000
Cash flows from operating activities			
Cash used in operations before exceptional costs, net finance expense and tax		(48,282)	(52,273)
Cash outflow from exceptional items		(6,936)	(2,150)
Cash used in operations before net finance expense and tax		(55,218)	(54,423)
Net finance expense paid		(903)	(675)
Corporation tax paid		(83)	(23,359)
Net cash used by operating activities		(56,204)	(78,457)
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,247)	(3,197)
Purchase of intangible fixed assets		(3,902)	(17,033)
Disposal of subsidiaries net of cash forgone and expenses		578,920	(3,849)
Proceeds on disposal of property, plant and equipment		3,875	-
Purchase of fixed asset investments		-	(1,500)
Proceeds from sale of associate		7,069	-
Acquisition of subsidiaries net of cash acquired		352	(11,583)
Deposits held in Escrow		-	(3,000)
Loans to investments and other parties		-	(1,476)
Net cash generated by/(used in) investing activities		583,067	(41,638)
Cash flows from financing activities			
Issue of share capital		-	100
Dividends paid		-	(6,180)
Sale of shares treated as held in treasury		2,746	5,444
Finance lease repayments		(1,829)	(346)
Additional secured loans		766	5,727
Repayment of secured loans		(30,329)	-
Repayment of unsecured loans		(191)	-
Net cash generated by/(used in) financing activities		(28,837)	4,745
Net increase/(decrease) in cash and cash equivalents		498,026	(115,350)
Cash and cash equivalents at the beginning of the period		50,482	179,954
Exchange losses on cash and cash equivalents		(137)	(149)
Cash and cash equivalents at the end of the period		548,371	64,455

Notes to the Interim Statements

1. Preparation of the condensed consolidated financial information

Basis of preparation

The interim financial statements for the six months ended 30 June 2015 have been prepared in accordance with the AIM Rules and the recognition and measurement requirements of IFRSs as adopted by the EU. The interim financial information should be read in conjunction with the Group's Annual Report and Financial Statements for the year ended 31 December 2014, which has been prepared in accordance with IFRSs as adopted by the EU.

The comparative figures for the financial year ended 31 December 2014 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was qualified in respect of a limitation in the scope of their work and contains statements under section 498 (2) and (3) of the Companies Act 2006, concerning the keeping of adequate books and records and the provision of information and explanations that the auditor considered necessary for the purpose of their audit.

The Group's business activities together with the factors that are likely to affect its future developments, performance and position are set out in the Chairman's Statement. The interim financial statements were approved by the Board of Directors on 29 September 2015.

Going Concern

Following the disposal of the Professional Services Division the number of entities within the Group and the Group's associated working capital requirements were significantly reduced. The gross sales proceeds of £637 million have been used to repay bank loans of £40 million and up to £500 million of the sales proceeds are expected to be repaid to shareholders as a return of capital. The Group has concluded that the remaining cash reserves together with ongoing operating cash flows, and receipts of deferred consideration (estimated at £47 million) from the disposal of the PSD and consideration from anticipated sales of non-core assets will be sufficient to fund the ongoing operations of the Group's businesses together with any future development needs of those businesses.

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

Statement of Directors' responsibilities

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

Significant Accounting Policies

The interim financial statements have been prepared in accordance with the accounting policies set out in the Annual Report and Accounts for the year ended 31 December 2014. Various new accounting standards and amendments were issued during the period, none of which have had or are expected to have any significant impact on the Group, and none of which have been adopted early. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the expected total annual earnings.

2. Impact of revisions to accounting policies and other prior year adjustments

The 31 December 2014 Annual Report and Financial Statements included a number of restatements to prior years arising from a detailed review of accounting policies and historic transactions. Details of these are included in note 3 to the 31 December 2014 Report and Financial Statement. A number of treatments and transactions of a similar nature to those identified as part of that review also apply to the previously reported Interim Results for the six month period ended 30 June 2014, which have now been restated, although the quantification of those adjustments may vary from those reported for the full year.

Details of these adjustments and a reconciliation of the Condensed Consolidated Income Statement and Condensed Consolidated Cash Flow Statement as previously presented in the Interim Results for the six month period ended 30 June 2014 to the restated comparative results and cash flows presented in this report is provided below.

1. The previously reported Interim Results for the six month period ended 30 June 2014 were presented in accordance with the accounting policy for revenue recognition as applied in the preparation of the 31 December 2013 Annual Report and Financial Statements. Note 3 to the 2014 Annual Report and Accounts details how this policy, in relation to the PSD businesses, has been reviewed and adjusted to be more prudent and conservative. The numbers presented in the 30 June 2014 Interim Results have therefore been restated in accordance with this new policy.
2. Current management have been unable to verify or validate the basis for certain provisions included within the Interim Results for the six month period ended 30 June 2014 which appear to be general in nature. The provisions had been adjusted for in the results to December 2014.
3. Consistent with the treatment in the 31 December 2014 Annual Report and Financial Statements the results of the PSD business have been classified as a discontinued operation, as such the comparative amounts have been restated on this basis.
4. Within note 3 of the 2014 Annual Report and Financial Statements a number of transactions were identified with businesses which were subsequently acquired (PYA D). Two different, albeit similar, transactions have been identified in the previously reported results for the six month period to 31 June 2014, which had been adjusted for in the results to December 2014. The comparative results have been restated to reflect the removal of these transactions.
5. Current management have identified two transactions which they believe, based upon the information available to them at this time, were of limited commercial substance. These adjustments differ to adjustment 4 above since the third parties with whom these transactions took place were not subsequently acquired. These transactions have therefore been reversed in the comparative amounts and had been adjusted for in the results to December 2014.
6. The impact of changes to the date of control of acquisitions, mainly Ingenie and Himex, to be consistent with the treatment in the 31 December 2014 annual report and financial statements. Note 26 of the 31 December 2014 annual report and financial statements contains further details. The previously reported Interim Results for the six month period ended 30 June 2014 did not consolidate the Ingenie businesses and consolidated Himex from February rather than 1 January. There were also a number of different assumptions used in relation to the valuation and recognition of intangibles and their related amortisation and impairment.
7. Adjustments have been made to acquisition related consideration and share based payments of a similar nature to those noted in adjustment C of note 4 to the 31 December 2014 annual report and financial statements. These include adjustments to the fair value of share based payments, corrections to warrants and the reclassification of share based payments previously classified as investments.

	Six months ended 30 June 2014 as previously stated £'000	Adj. 1 £'000	Adj. 2 £'000	Adj. 3 £'000	Adj. 4 £'000	Adj. 5 £'000	Adj. 6 £'000	Adj. 7 £'000	Restated six months ended 30 June 2014 (unaudited) £'000
Revenue	357,335	(173,836)	-	(111,834)	(16,612)	(12,500)	283	-	42,836
Cost of sales	(161,529)	(12,066)	12,201	134,769	-	-	428	-	(26,197)
Gross Profit	195,806	(185,902)	12,201	22,935	(16,612)	(12,500)	711	-	16,639
Administrative expenses									
- Normal	(48,297)	(6,171)	-	26,520	-	-	(6,587)	-	(34,535)
- Share-based payments	(6,603)	-	-	-	-	-	-	2,859	(3,744)
- Impairments	-	-	-	-	-	-	(14,360)	-	(14,360)
- Other exceptional costs	(2,435)	-	-	175	-	-	(5,972)	(15,731)	(23,963)
Total administrative expenses	(57,335)	(6,171)	-	26,695	-	-	(26,919)	(12,872)	(76,602)
Other income – exceptional	14,522	-	-	-	-	-	8,514	-	23,036
Share of results of associates	1,391	-	-	-	-	-	-	-	1,391
Group operating profit/(loss)	154,384	(192,073)	12,201	49,630	(16,612)	(12,500)	(17,694)	(12,872)	(35,536)
Finance income	276	-	-	1	-	-	6	-	283
Finance expense	(957)	-	-	526	-	-	(8)	-	(439)
Profit/(loss) before taxation	153,703	(192,073)	12,201	50,157	(16,612)	(12,500)	(17,696)	(12,872)	(35,692)
Taxation	(30,669)	30,109	(2,623)	1,170	3,572	2,688	1,059	627	5,933
Loss after taxation for the year from continuing operations	123,034	(161,964)	9,578	51,327	(13,040)	(9,812)	(16,637)	(12,245)	(29,759)
Discontinued operations									
Loss for the year from discontinued operations (attributable to equity holders of the Company)	-	-	-	(51,327)	-	-	-	-	(51,327)
Profit/(loss) for the period	123,034	(161,964)	9,578	-	(13,040)	(9,812)	(16,637)	(12,245)	(81,086)
Attributable to:									
Equity holders of the parent	122,182	(161,964)	9,578	-	(13,040)	(9,812)	(16,637)	(12,245)	(81,938)
Non-controlling interests	852	-	-	-	-	-	-	-	852
	123,034	(161,964)	9,578	-	(13,040)	(9,812)	(16,637)	(12,245)	(81,086)

	Six Months ended 30 June 2014 as previously stated £'000	Adj. 4 £'000	Adj. 6 £'000	Restated six months ended 30 June 2014 (unaudited) £'000
Cash flows from operating activities				
Cash used in operations before exceptional costs, net finance expense and tax	(51,024)	(1,000)	(249)	(52,273)
Cash outflow from exceptional items	(2,150)	-	-	(2,150)
Cash used in operations before net finance expense and tax	(53,174)	(1,000)	(249)	(54,423)
Net finance expense paid	(681)	-	6	(675)
Corporation tax paid	(23,359)	-	-	(23,359)
Net Cash used by operating activities	(77,214)	(1,000)	(243)	(78,457)
Cash flows from investing activities				
Purchase of property, plant and equipment	(3,160)	-	(37)	(3,197)
Purchase of intangible fixed assets	(16,946)	-	(87)	(17,033)
Proceeds on disposal of property, plant and equipment	-	-	-	-
Disposal of subsidiaries net of cash forgone	-	-	(3,849)	(3,849)
Proceeds from sale of subsidiary undertaking	-	-	-	-
Purchase of fixed asset investments	(2,000)	500	-	(1,500)
Proceeds from sale of fixed asset investments	-	-	-	-
Acquisition of subsidiaries net of cash acquired	(15,799)	-	4,216	(11,583)
Deposits held in escrow	(3,000)	-	-	(3,000)
Loans and investments to other parties	(1,976)	500	-	(1,476)
Net cash generated by/(used in) investing activities	(42,881)	1,000	243	(41,638)
Cash flows from financing activities				
Dividends paid	(6,180)	-	-	(6,180)
Finance lease repayments	(346)	-	-	(346)
Additional secured loans	5,727	-	-	5,727
Sale of shares held in treasury	5,444	-	-	5,444
Issue of share capital	100	-	-	100
Net cash generated by financing activities	4,745	-	-	4,745
Net decrease in cash and cash equivalents	(115,350)	-	-	(115,350)
Cash and cash equivalents at the beginning of the period	179,954	-	-	179,954
Exchange losses on cash and cash equivalents	(149)	-	-	(149)
Cash and cash equivalents at the end of the period	64,455	-	-	64,455

3. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, management has made a number of judgements, and the preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The key management judgements together with assumptions concerning the future and other key sources of estimation uncertainty at 30 June 2015 that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the current financial year are discussed below.

Recognition of revenue

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

Intangible assets

The Directors last reviewed the carrying value of intangible assets, comprising goodwill and other intangible assets, as at 31 December 2014 and the key elements of this review are contained in Notes 15 and 16 to the Group's Annual Report and Financial Statements for the year ended 31 December 2014. The Directors have undertaken a further review of the carrying value of intangible assets as at 30th June 2015 on substantially the same basis and have concluded that no adjustment is necessary.

Deferred consideration

The disposal of the PSD contains an element of contingent consideration in relation to future receipts arising on NIHL cases which were current on the sale date. Given the inherent uncertainties of this business line, the parties could not agree on an appropriate valuation at completion and so the agreement provides that the Group will receive 50% of the net after tax receipts (after allowing for administrative costs) collected on the NIHL cases outstanding at completion. Approximately 53,000 NIHL cases were active and transferred at completion. Such amounts will be determined on a six monthly basis commencing on 31 December 2015. The process will continue until 30 June 2017 when a terminal value projection of expected receipts will be agreed. If no agreement is reached, the process will continue with payments every six months until the earlier of the date when a terminal value is agreed or 31 December 2018. The Company has performed a preliminary valuation exercise based on the information available at the point of disposal and has determined that a prudent estimate of the current value of the contingent consideration is approximately £39.6m. Due to the uncertainty inherent in this estimate and the lack of information over the current trends within those cases, no credit has been taken for deferred consideration in calculating the profit arising on the disposal of the PSD.

Capitalisation of internally generated development costs

The Group capitalizes internally generated development costs where these can be clearly and fully assessed against IAS38. Such costs are clearly and separately identifiable by developed saleable product, with all products assessed against IAS38. Such assessment is continuous.

Provisions and contingent liabilities

The Group has identified a number of provisions and contingent liabilities which, by their nature, are subject to significant judgement and uncertainty. All such matters are periodically assessed with the assistance of external professional advisers, where appropriate, to determine the likelihood of the Group incurring a liability and to evaluate the extent to which a reliable estimate of any liability can be made. However, the likely outcome on the Group of the SFO investigation and any group litigation which may potentially be brought against the Group is subject to a number of significant uncertainties and these cannot currently be determined. Accordingly, no provision has been made in respect of these matters.

Deferred tax in connection with the continuing business operations

Previously paid tax that can be reclaimed has been recognised as a corporation tax asset in the Company and Group's continuing business net assets. Other taxable losses have arisen during the period ended 30 June 2015 which have the potential to give rise to a deferred tax asset. This asset has not been recognised due to the extent of the continuing business losses incurred in 2014 including head office costs, further losses continuing into 2015 and the developing nature of the continuing businesses such that the expectation of profitability at sufficient quantum was not probable within a reasonable timeframe.

4. Key performance indicators

	Six months ended 30 June 2015 (unaudited) £'000	Restated six months ended 30 June 2014 (unaudited) £'000
Note		
Revenue – continuing activities	35,328	42,836
Adjusted EBITDA – continuing activities:		
Loss before taxation	(35,455)	(35,692)
Depreciation	1,059	1,365
Amortisation	6,786	9,040
Exceptional costs and impairments	7,844	38,323
Share-based payments	6,276	3,744
Other income – exceptional	(2,848)	(23,036)
Net finance expense	502	156
Adjusted EBITDA – continuing activities	(15,836)	(6,100)
Adjusted loss before taxation – continuing activities		
Loss before taxation	(35,455)	(35,692)
Amortisation	6,786	9,040
Exceptional costs and impairments	7,844	38,323
Share-based payments	6,276	3,744
Other income - exceptional	(2,848)	(23,036)
Adjusted loss before taxation – continuing activities	(17,397)	(7,621)

5. Exceptional Costs

	Six months ended 30 June 2015 (unaudited)	Restated six months ended 30 June 2014 (unaudited)
	£'000	£'000
Acquisition costs		
Acquisition related fees	30	1,687
Costs of integration and associated redundancies	99	-
Post combination vendor remuneration (cash element)	500	500
Post combination vendor remuneration (share element) including PAYE	-	383
Impairments	4,571	14,360
Legal disputes – charge/(credit)	(3,046)	-
Loss of control over subsidiary	-	5,841
Professional and other consultancy fees	5,691	5,599
Exceptional share based payments: warrants granted in respect of customer agreements	-	9,953
	7,845	38,323

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

6. Other income - exceptional

	Six months ended 30 June 2015 (unaudited)	Restated six months ended 30 June 2014 (unaudited)
	£'000	£'000
Net gain on re-measurement of investments on becoming associates and associates on acquisition of control	-	23,036
Net gain on disposal of the 360 Global	2,848	-
	2,848	23,036

7. Trade and other receivables

	30 June 2015 (unaudited)	31 December 2014
	£'000	£'000
Trade receivables (net of impairment provision)	9,539	12,308
Other receivables	63,882	8,166
Prepayments	3,306	4,538
Accrued income	1,873	7,851
	78,600	32,863

8. Trade and other payables

	30 June 2015 (unaudited) £'000	31 December 2014 £'000
Current liabilities		
Trade payables	9,537	11,692
Payroll and other taxes including social security	478	7,136
Accruals	13,781	23,299
Deferred income	10,397	10,555
Other liabilities	23,905	21,128
	58,098	73,810

9. Acquisitions and disposals

The sale of the PSD completed on 29 May 2015. These profit arising on this disposal comprises the following elements:

	30 June 2015 (unaudited) £'000
Sales proceeds (excluding contingent consideration)	645,931
Net assets at disposal	(142,436)
Expenses and other costs of sale	(17,638)
Profit arising on sale	485,857

The net gain on disposal of PSD represents sales proceeds of £646m less net assets at completion of £142m and expenses of £18m. As described in note 3, no credit has been taken for deferred consideration. The Company is not aware of any warranty claims and accordingly no provision has been made for claims potentially deductible from escrow. These figures differ from the estimates given in the 2014 strategic report as those did not reflect actual movements in net assets and intercompany balances settled out of the total consideration received

The sales proceeds above do not include any amounts receivable in respect of contingent consideration related to the run off of Noise Induced Hearing Loss ("NIHL"). As described in note 3.

The Company has performed a preliminary valuation exercise based on the information available at the point of disposal and has determined that a prudent estimate of the current value of the contingent consideration is approximately £39.6m. Due to the uncertainty inherent in this estimate and the lack of information over the current trends within those cases, no credit has been taken for deferred consideration in calculating the profit arising on the disposal of the PSD. As described in the financial statements for the year ended 31 December 2014, £55.0m was placed in temporary escrow accounts relating to the sale of the PSD to Slater and Gordon Limited. The Company has not been made aware of any claims or potential claims and we are confident that the open and detailed due diligence process in respect of the disposal will ensure that all of the £55.0m currently reserved in a joint escrow account for any warranty claims will be released in November 2016.

As previously announced, the Group disposed of its remaining interests in Nationwide Accident Repair Services Plc ("NARS") and 360 Global in March and May respectively. No gain or loss occurred in the period on the disposal of NARS and a £2.8m gain was recognised on the sale of 360 Global in the period.

On 5 March 2015, the Group acquired the remaining 50% of the shares it did not already own in BE Insulated Limited and 100% of Carbon Reduction Company Limited (together "BEI") which gave the Group control over these entities. This transaction gave rise to a goodwill on acquisition of £3.6m. BEI reported revenue of £2.1m and a loss before tax of £81k during the period from acquisition to 30 June 2015. The market in which BEI operates includes the sale and fitting of solar

panels in domestic and commercial settings. The Government recently announced that it intends to reduce the incentives offered in this market. As a consequence, the Group has fully impaired the goodwill arising on this acquisition.

On 13 March 2015, the Group announced that it had acquired a further 8.33% in Navseeker Inc. a subsidiary of Himex Limited ("Navseeker") taking its effective interest in that company to 88.33%. As announced on 5 March 2015, the acquisition of the remaining 11.67% is subject to the Court of Chancery of Delaware USA granting its approval to a settlement of litigation between current and former shareholders of Navseeker.

On 9 September 2015, the Group announced that it had reached agreement to purchase the remaining 50.1% of shares it did not hold in PT Healthcare Solutions Inc. ("PT Health") in return for a new issue of 9,466,666 ordinary shares of 15p each. PT Health is one of the largest physiotherapy and rehabilitation services in Canada. Combining our insurance industry knowledge with the efficient use of technology, this service will be leveraged further.

10. Contingent liabilities

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

On 23 June 2015, the Financial Conduct Authority ("FCA") informed the Group that it had commenced an investigation under the Financial Services and Markets Act 2000 in relation to public statements made regarding the financial accounts of the Group during 2013 and 2014. On 5 August 2015, the Serious Fraud Office ("SFO") informed the Group that it had opened an investigation, which the Group understands relates to past business and accounting practices at the Company. On 18 August 2015 the Group was informed by the FCA that, in light of the investigation by the SFO into past business and accounting practices at the Group, the FCA had decided to discontinue its own investigation with immediate effect. The Group is co-operating fully with the investigation. At this stage, the timing of completion of the investigation and its conclusions cannot be anticipated. Therefore, having taken external advice, no liability has been recognised at the balance sheet date as it is not possible to reliably estimate a provision (if any) in respect of this matter.

On 28 September 2015, the Company received a letter described as a "Notice of Intended Claim" from a law firm acting for a claimant group suggesting that it intends to commence an action against the Company under the Financial Services and Markets Act 2000 ("Notice"). Whilst the Company is not in a position to verify the assertions in the Notice (as no claim has been received as yet), the Notice estimates the value of the potential claims against the Company to be a maximum of approximately £9 million before costs (if awarded). There can be no guarantee that other claims will not be made against the Company and, in particular, the claimant firm details that it has been approached, but not retained, by other potential claimants who together, it asserts, would have a claim of a maximum value of a further £9 million. The Company is not aware, and has not been made aware, of any other law firms acting for (or in the process of forming) other claimant groups. The Notice provides little detail on the potential claim or the timing of the pre-action Letter of Claim and no information to support the valuation of the individual prospective claimants' claims, which would require to be proved in due course in any litigation. At this stage, the Company will vigorously defend all such claims, as appropriate.

All such matters are periodically assessed with the assistance of external professional advisers, where appropriate, to determine the likelihood of the Group incurring a liability and to evaluate the extent to which a reliable estimate of any liability can be made. However, the likely outcome on the Group of the SFO investigation and the Notice of Claim or any claim referred to therein that may potentially be brought against the Group is subject to a number of significant uncertainties and these cannot currently be determined. Accordingly, no provision has been made in respect of these matters.

11. Share capital

	30 June 2015 (unaudited)		31 December 2014	
	Number 000's	Nominal value £'000	Number 000's	Nominal value £'000
Issued and fully paid shares:	428,060	66,575	419,548	65,298
Issued and not fully paid	16,899	169	16,899	169
At the end of the period	444,959	66,744	436,447	65,467

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

12. Post balance sheet events

Regulatory Matters

On 5 August 2015, the SFO informed the Company that it had opened an investigation, which the Company understands relates to past business and accounting practices at the Company. The Company will continue to co-operate with all relevant regulatory and law enforcement authorities. On the same date, the Financial Reporting Council advised the Company that, in light of the positive actions taken by the Directors in correcting the identified errors, amending accounting policies and providing their undertakings, the Committee has closed its review of the 2011 and 2012 report and accounts. On 18 August 2015, the FCA announced that, in light of the above investigation by the SFO it has decided to discontinue its own investigation with immediate effect.

Acquisition of Remaining Interest in PT Health

On 9 September 2015, the Company announced that it had agreed to acquire the remaining 50.1% of shares it did not own in PT Health in return for the issue of 9,466,666 shares of 15p in the Company. The Acquisition is to be effected pursuant to an arrangement under the Canada Business Corporations Act. Completion of the Acquisition is subject to customary closing conditions, including court approval of the arrangement, approval of two-thirds of the votes cast by the holders of PT Health common shares at a special meeting of shareholders to be called to consider the arrangement, and applicable regulatory approval.

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

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