Business Transformation driven by Champion & Challenger Re-engineering

Exceeding Expectations in 24 x 7 Support and Service Delivery

Porent Company
Accts of 5951182
Utility Switch Ltd

Convergence of Insurance and Telecoms Expertise enables leading Telematics Usage & Behaviour Based Insurance (UBI & BBI) propositions

Quindell

Quindell Portfolio Plc

"Sector Leading Expertise in Insurance and Telecoms"

ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Extending Your Brand via White Labelled Advisory propositions with Repeatable Technology Enabled Outsourcing Solutions

WEDNESDAY
A2J2TI3N
A24 16/10/2013 #69
COMPANIES HOUSE

Service Excellence Underpinned by Quindell Champion & Challenger Technology Enablement

Consulting • Software • Outsourcing

Quindell

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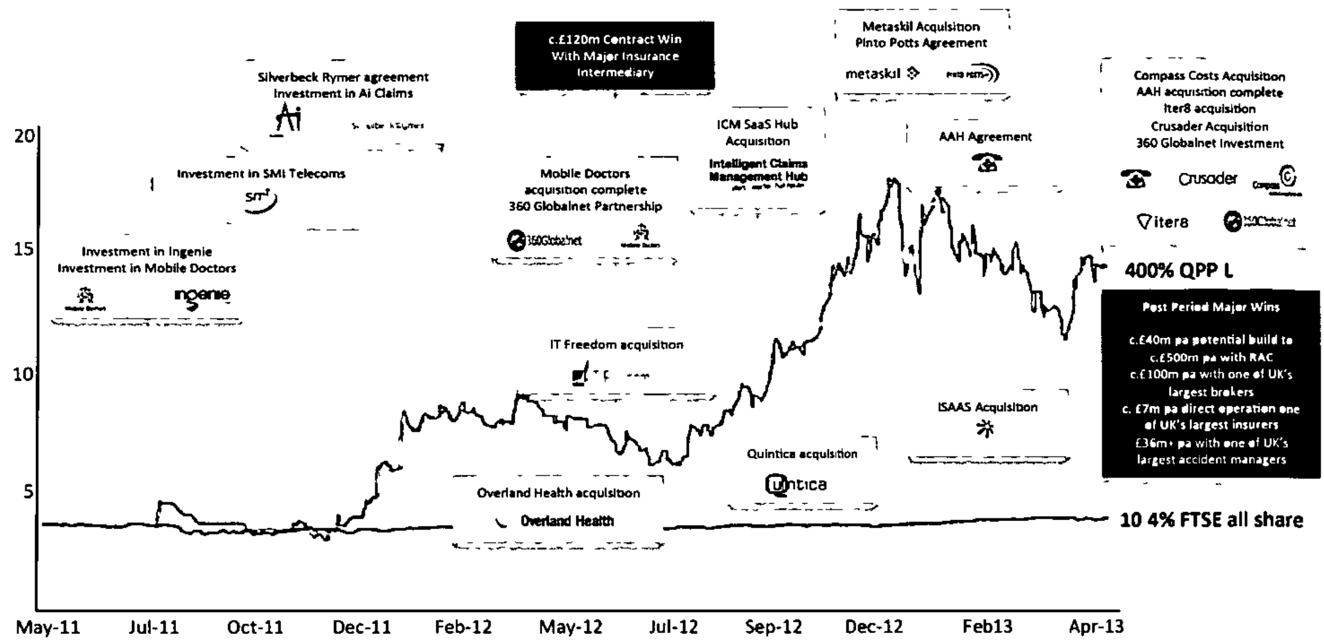
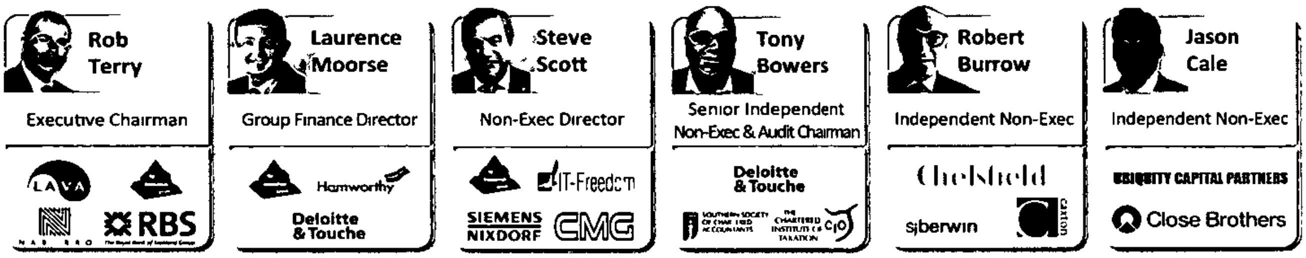
Quindell Portfolio Plc Share Price Performance and Key Events from IPO



Quindell Portfolio Plc - Board of Directors



Company Overview

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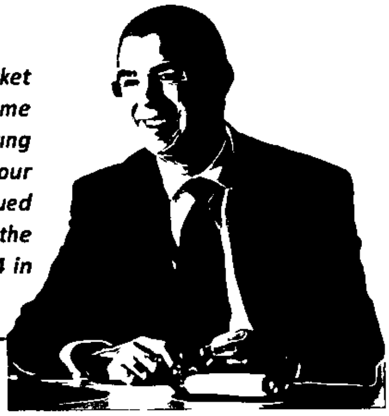
Company Overview

"This is the second year that the Group has delivered strong results, exceeding market expectations in every key performance indicator. We plan to continue on the same path, looking to grow organically with new clients, to add more services to existing ones and actively seeking out value-enhancing acquisitions that are focused on our target market The Board is confident that we are very well positioned for continued growth in 2013, expects to rapidly progress our move towards a full listing It is the Board's current intention to pay a maiden dividend to shareholders in early 2014 in respect of the Group's performance for year ended December 2013."



Rob Terry, Founder & Executive Chairman

Financial Highlights

Revenue increased by 904% to **£137 6m** (2011 £13 7m)

Gross Sales[1] increased by 1,154% to **£171 9m** (2011 £13 7m)

Adjusted EBITDA[2]
- **EBITDA** increased by 681% to **£52 2m** (2011 £6 7m)
- **EBITDA margin** of **38%** (2011 49%) of **Revenue**
- **EBITDA margin** of **30%** (2011 49%) of **Gross Sales**

Profit Before Tax
- **Profit Before Tax** increased by 915% to **£41 2m** (2011 £4 1m)
- **Adjusted PBT**[3] increased by 680% to **£49 m** (2011 £6 3m)

Earnings Per Share
- **Adjusted Basic EPS**[4] of **1 40p**, increased by 92% (2011 0 73p)
- **Basic EPS** of **1 17p**, an increase of 148% (2011 0 47p)

Adjusted Operating cash inflow[5] of **£38 8m** (2011 £5 5m)

Operating cash flow of **£34 1m** (2011 £4 4m)

Underlying EBITDA to **cash conversion** of **74% - during significant growth phase**

Cash increased during the period by **£43 5m to £47 2m**

Net funds of **£16 6m** at year end

Operating Highlights

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

Services
- **Outsourcing** increased 1,449% to **£107 5m** (2011 £6 9m)
- **Combined services offering** continues to **drive new business success** with 100% conversion
- **Significant growth** opportunities still **available due to unique offerings and regulatory change**
- **All new service business delivered on our own technology platform**

Solutions
- **Software & consultancy** increased 344% to **£30 1m** (2011 £6 8m)
- **Recognised as joint market leader for European claims by Celent**
- **Now** believed to be **clear market leader for European claims technology by substantial margin**

Funding
- **Block settlement of claims debt** reduces debtors **by over £11m with no net writedown**
- **Over £40m of claims debt provides opportunity for block settlement**
- **Strong banking relationships** core facilities renewed for two years
- **Working capital to support additional significant organic growth**

Outlook
- **Q1 2013 delivers over £25m Adjusted EBITDA** up 10% on Q4 2012
- **Recent major wins RAC, leading broker, largest direct insurer and major accident management firm**
- **Major wins** underpin potential for **£100s** of **millions of growth**
- **Recent entry into Property Claims and North America accelerating organic growth**

Notes
1 Revenue, including Legal Services sales, during period of partnering agreements
2 Profit before tax, excluding amortisation, depreciation, interest and exceptional costs as described in the Consolidated Income Statement
3 Profit before tax, excluding amortisation and exceptional costs
4 See Note 14, Earnings Per Share, to these Results
5 Operating cash flow pre exceptional costs, tax and interest

Executive Chairman's Review

"This is the second year that the Group has delivered strong results, exceeding market expectations in every key performance indicator. Just as importantly, we have delivered on our high level strategy to focus on earning enhancing acquisitions which have been identified and prepared for integration over a significant period within our two core markets, Insurance and Telecoms. This strategy 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, it enables us to develop combined propositions that are compelling for the marketplace to achieve significant organic growth in this period of major technology and regulatory change.".

Rob Terry, Founder & Executive Chairman

Introduction

I am delighted to report that 2012 was a year of significant progress for the Group This is the second year that the Group has delivered strong results, exceeding market expectations in every key performance indicator Just as importantly, the Group has delivered on our high level strategy to focus on earning enhancing acquisitions which have been identified and prepared for integration over a significant period in part prior even to our listing, within our two core markets, Insurance and Telecoms This strategy 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 enables us to use this platform to develop combined propositions that are compelling beyond traditional silo offerings, for the marketplace to achieve significant organic growth in this period of major technology and regulatory change

Quindell is now the largest technology enabled claims management outsourcing business to the UK motor industry and the only organisation ethically addressing the total cost of claims including personal injury and rehabilitation 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 (eg 13 5 hire days vs 19 OFT average)

Primarily based in Blackpool, Liverpool, Stanmore and Fareham, our head office location, we averaged circa 600 staff distributed across the UK in 2012 and our global operating centres to support the implementation of our technology solutions worldwide and provide back office support to reduce the administrative cost of our on-shore contact centres In 2013 our staff numbers have grown to circa 1,700 – this growth has been in all key areas of the Group

Financial Results

Revenues for the year increased by 904% to £137 6 million (2011 £13 7 million) Adjusted EBITDA for the year (profit before tax excluding amortisation, depreciation, interest and the exceptional costs as described in the Consolidated Income Statement) increased by 681% to £52 2 million (2011 £6 7 million) with EBITDA margin percentage of 38% of Revenue and 30% of Gross Sales (2011 49%)

For financial year 2012 gross sales increased by 1,154% to £171 9 million (2011 £13 7 million), including the revenues of the legal services businesses of £34 4 million, that were under partnering agreements prior to their acquisition by the Group The acquisition of these businesses was completed following approval by the Solicitors Regulation Authority (SRA) as an Alternative Business Structure (ABS) in December

Profit Before Tax increased by 915% to £41 2 million (2011 £4 1 million) with Adjusted Profit Before Tax (excluding amortisation and exceptional costs) increasing by 675% to £49 2 million (2011 £6 3 million) Profit After Tax was £31 9 million, an increase of 667% on 2011 which was £4 2 million We delivered a 148% increase in Basic EPS of 1 17 pence (2011 0 47 pence) with an Adjusted Basic EPS (see Note 14, Earnings Per Share) of 1 40 pence (2011 0 73 pence), an increase of 92%

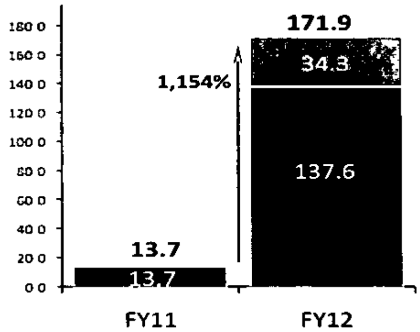
At the same time as achieving this growth, the Group continued to generate good levels of cash from its operations, outperforming market expectations in the final stages of 2012 with adjusted operating cash inflow for the year of £38 8 million (2011 £5 5 million) before exceptional costs of £2 1 million (2011 £1 0 million) This is an underlying adjusted EBITDA to cash conversion of 74% throughout a period of significant growth Cash and net funds at the end of the year was £47 2 million and £16 6 million compared to market expectations of £41 5 million and £9 5 million respectively

Executive Chairman's Review

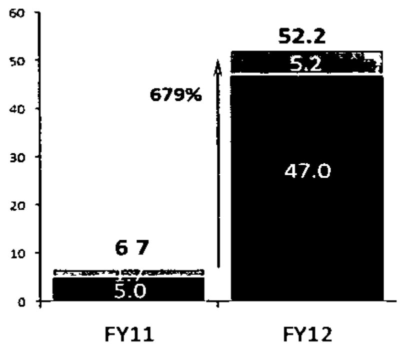
£m

Gross or Adjusted
Statutory

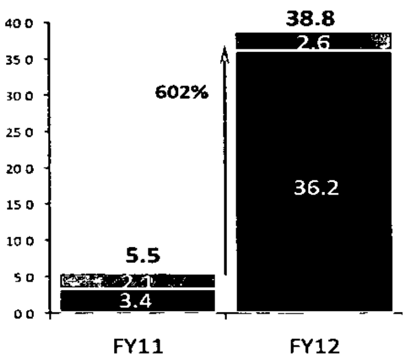
Revenue



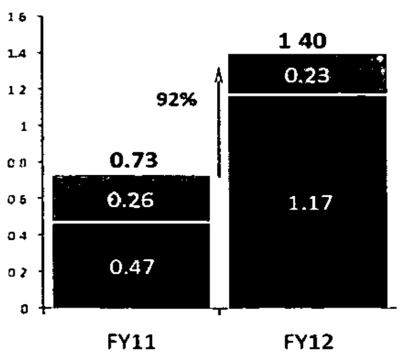
EBITDA



Operating Cash Inflow



EPS (p)



The year in review

Our acquisition focus this year has primarily been driven by growth in the insurance sector, falling into three primary groups, legal services, health services and claims outsourcing services, as well as the underlying technology platform necessary to support these outsourced services in a disruptive and transformational manner

There are still further earnings enhancing vertical opportunities available to the Group, which provide us with a unique offering in both of our core markets This will drive significant organic growth during a period of market share grab that only comes along once in a decade and with our unique combined offering and marketing leading technology it is quite clear that we are in pole position to capitalise on this opportunity Significant market share win during this period of technology and regulatory change should underpin the Group's success for the next decade and beyond

Since our IPO two years ago now, our share price has significantly outperformed the market with an increase of 10 4% for the FTSE Allshare and over 400% for Quindell in the same period This has inevitably led to a certain amount of profit taking and the pace of acquisitions has caused nervousness with some investors, however our clients in the industry clearly understand the lead that we have established, as demonstrated by our significant contract wins announced recently, with the potential to deliver hundreds of millions of recurring revenue per annum with a long term guidance of 20-25% EBITDA margin The Board remains convinced that its strategy must be implemented to completion while the opportunity remains to take advantage of regulatory change and while we still have the flexibility on AIM to take advantage of this window We will proceed as rapidly as possible in the second half of 2013 towards a full listing, so the appropriate valuation for the Company can be established

The Board has already completed a significant amount of preparatory work for this move to full listing including consultations with advisors on a suitable Board and Governance structure that will see my own role remain as Executive Chairman but with additional independent Non Executive representation on the Board to ensure that in most regards we are fully compliant with best practice for a fully listed company It is our hope that the Board shall include as one of these Non Executives, at least one of the current members of our Strategy and Integration Advisory Board, as they are already fully up to speed on the Company's overall growth strategy

The Board's ultimate ambition remains to build a £1billion+ revenue company that has a significant proportion of recurring revenue, that is sufficiently cash generative to pay a healthy dividend and is of an appropriate quality to one day be included in the FTSE 100 Subject to not being held back on the successful execution of our strategy, we see no reason why this is not achievable

Executive Chairman's Review

Acquisition Criteria

As we have explicitly stated, our focus remains on ensuring that we only pursue earning enhancing opportunities that have already been de-risked by working closely with the business prior to acquisition, typically for a period of no less than six to nine months and in some cases for many years We have a strict acquisition criteria and only typically pay five to seven times profit after tax with a 12 month future warranted profit target and cash generation target with claw backs if these warranted targets were not to be met, effectively underwriting earnings accretion Consideration shares which will have been issued at a premium compared to the price at the time of issue are locked in for periods of typically between 12 and 36 months

Opportunities are only pursued, where synergistic growth is available that allows the group to significantly exceed these profit targets, either through adding in our existing volume to the acquisitions or by the volume that the acquired business is able to provide to us, or where there is a significant cross selling opportunity available For example, recent acquisitions have included a business with a profit after tax target of £2 million, where we fully expect with the benefit of our volume, the business will target profit after tax of £8 million, but the benefit of this volume does not count towards them meeting their warranted target An organisation wishing to join our portfolio has to fully understand the effect we are currently having on the market, and be willing to accept stock at a 20% premium to our current trading price or 17 5p whichever is the greater as the basis of any share consideration to be used Therefore in the example above, this resulted in the Group paying less than 1 5 times the future profit after tax target (with synergistic growth in profit included) and this level of accretion has been typical of our recent acquisitions, underpinning the 92% year on year growth seen in 2012 for Adjusted EPS and providing us with a high level of confidence of our ability to exceed current market expectations for 2013

As already stated, although the pace of acquisitions has caused nervousness with some investors, our clients in the industry clearly understand the lead that we have established, as demonstrated by our significant contract wins since period end, with the potential to deliver hundreds of millions of recurring revenue per annum with a long term guidance of 20-25% EBITDA margin

Integration

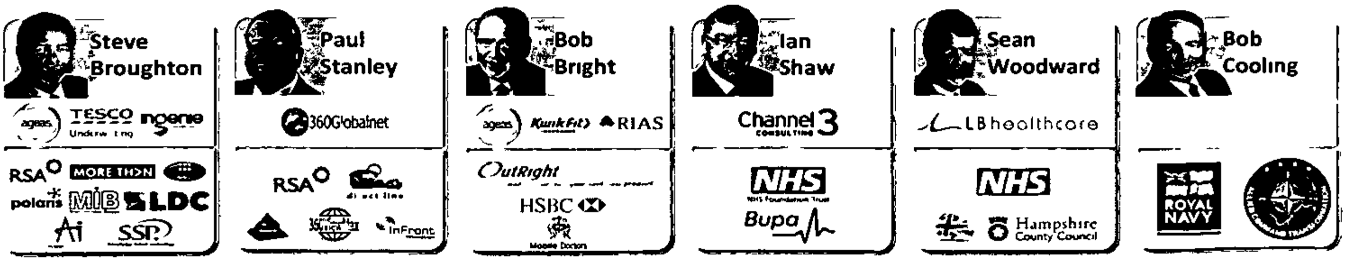
With the integration of our core outsourcing services operations during the year complete, and the excellent performance in each of our two divisions, the Group delivered strong performance in the year, setting a record for profit, cash generation and earnings per share Our core business platform is now in place and integrated with a single Executive Management team and even without another acquisition being completed in 2013, the Board remain extremely confident of exceeding market expectations

Having delivered on our high level strategy, we now have a clearly proven record in earning enhancing acquisitions, having seen our adjusted EPS grow by 92% over last year alone I would like to thank our Strategy and Integration Advisory Board as a team and particularly Steve Broughton as he has been invaluable in helping create the Group's vision and philosophy and his skills, contacts and influence in the marketplace and the value of his contribution is in part due to his knowledge of the market, as formerly Managing Director of Royal & Sun Alliance Insurance UK (RSA) where he served as the Chairman of the Board of Polaris UK Ltd and previously RSA's representative Director on the Board of the Motor Insurers Bureau (MIB), Steve was also appointed by RSA as Chairman of Swinton Insurance Ltd

Steve was also the Non Executive Chairman of Ai Claims Solutions our core acquisition within claims outsourcing and is currently the Non Executive Chairman of ingenie in which we hold a circa 19% Investment He is also the Chairman of Tesco Underwriting Limited and Non Executive Director of Ageas Group The pedigree, influence and background of a number of the other members of our advisory board has been, and continues to be, similarly impressive and valuable to the group

The excellent progress that we have made this year is only possible with the continued commitment, talent and teamwork displayed by our employees On behalf of the Board, I would like to take this opportunity to thank all our employees for their significant contribution, and to highlight some key appointments and achievements during the year

Quindell Portfolio Plc - Strategy and Integration Advisory Board



Executive Chairman's Review

Solutions Division

Our global Software and Consulting Solutions Division, increased revenues by 344% to £30 1 million (2011 £6 8 million) and adjusted EBITDA of £24 0 million (80% margin) Robert Thomson, our divisional Chief Executive responsible for this division has without doubt also played a significant role, working closely with Simon Hall Chief Revenue Officer Services Division, in securing some of the largest contracts seen in the insurance industry in recent years Robert, has over twenty five years experience working in the insurance and technology market thirteen of which were for IBM and over the last year, post restrictions from his prior position with a competitor organisation, was able to work directly with the Board on our overall sales process and business development strategy, leveraging the unique propositions that have been developed by Quindell in this time of significant technology and regulatory change

Key achievements by the Software and Consulting Solutions Division during the year include being recognised by Research and Consulting firm Celent as a joint market leader for European Claims deals Celent notes that Quindell and Guidewire have brought on board more clients over the last two years than all their competitors, acquiring 23% of new deals, followed by SAP at 15% and Accenture at 5% The report also confirms Quindell has significant market share at 15%

Quindell's strengths against Guidewire include its speed of implementation averaging at 14 weeks, combined with a customer satisfaction rating of 5 6 out of 6, the Group's ability to offer its clients commercial terms covering both outsourcing and supply of market leading technology and the Group's unique position with telematics in the market has all contributed to recent contract wins Quindell is now a clear market leader in the telematics based insurance space with two of the top four leading telematics based insurance players, being ingenie the Group's charter client and insurethebox

However, post year end, we now believe we are the clear market leader for European claims technology by a significant margin, having delivered more deals over the last four months (including SaaS implementations) than Guidewire, SAP and Accenture together are accredited to have won by Celent over the last two years Of the Software & Consulting Division's revenues during the period, £10 7 million of revenue representing more than one third was earned outside of the UK demonstrating the global reach and applicability of our technology and consultancy solutions

Services Division

The Group's Technology Enabled Outsourcing Services Division increased revenues by 1,449% to £107 5 million (2011 £6 9 million), with adjusted EBITDA of £32 2 million (30% margin) This division is led by Robert Fielding, our divisional Chief Executive, who has made a significant contribution in the delivery of this result and in supporting our success and delivering on additional contract wins in 2013 This is in no small part due to the fact that Robert had a significant amount of knowledge of our outsourcing acquisitions having previously been prior to our ownership, the Chief Operating Officer of Mobile Doctors, our largest acquisition within Quindell Health Services and latterly nine months prior to our acquisition of Silverbeck Rymer into Quindell Legal Services, Robert was appointed by the partnership as Chief Executive of this organisation Prior to joining Mobile Doctors Robert had over twenty years experience in the insurance, healthcare and broking markets running successful insurance, outsourcing and third party administration businesses for Sedgwick, Royal and Sun Alliance and First Assist This approach of having people known to us that really understand the business as part of our on-going operation is consistent with our acquisition strategy, which minimises risk as any major acquisition is largely already operating under a governance model equivalent to our own as a listed plc, prior to any final decision to acquire

It has been our combined services offering that continues to drive new business success with 100% of pilots converting into long term agreements during this period of significant technology and regulatory change within the insurance market The unique selling points of our combined services offering are that Quindell is positioned to take advantage of regulatory change and provide its clients with a viable means of outsourcing to maintain or even increase their level of financial benefit in a transparent and ethical model pre and post the ban of referral fees

We use an Open Book approach with a flexible business model including price per policy or transaction, off-settings, bilateral equivalents and profit share all supported and the financial benefit can be income generating or used to improve combined operating ratio The Group is a Portfolio of established Ethical, Industry Trusted, Expert Technology and Business Process Service companies and therefore does not have the associated risk of an unproven external or in-house startup operation or the reputational risk of alternative partners

Quindell Portfolio Plc - Single Integrated Executive Management Team

Rob Terry
Executive Chairman

Laurence Moorse
Group Finance Director

Robert Thomson
Chief Executive Solutions Division

Robert Fielding
Chief Executive Services Division

David Sandhu
Group Chief Operating Officer

Peter Harrison
Group Chief Financial Officer

In addition, the Company was formed with a focus on 'stamping down' the total costs of claims, initially in motor, addressing not just the vehicle costs but also the biggest issues today being personal injury cost and the associated customer journey Quindell has a management team and advisory board consisting of knowledgeable and trusted industry figures – individually experienced and informed on all aspects of the Quindell Portfolio We offer our major clients and their supply chain partners the benefit of its core and industry hub technology solutions (subject to minimum outsourcing volumes each year) This includes Quindell's state of the art capabilities in digital claims, e-procurement, supply chain management, business analytics, social media and telematics with proven advantages in speed to market, customer acquisition and retention, advanced decision support in liability confirmation and conversion into services

All new business process services business is now delivered directly onto our own single technology enabled platform, which also forms the basis of our software and consultancy enterprise and SaaS based sales This gives us our final unique selling point within the market as our nearest competitor in claims software in Europe does not have an outsourcing capability or an established SaaS offering and the only other competitor that does provide this outsourcing and technology combination does not use its own current technology within its UK outsourcing operations which gives us a significant advantage when establishing our credibility and outstanding reference ability for our solutions

Group Functions
As well as our two divisional CEO's reporting directly to me, my other primary direct report will be David Sandhu as Group Chief Operating Officer, once the necessary regulatory approvals have been gained David is currently Chief Executive Officer of Ai Claims Solutions, which now forms part of our Services Division I am sure David will prove invaluable in helping to structure the overall corporate governance of the Group and our focus on service delivery excellence for our clients, having already overseen the significant growth that was delivered by Ai Claims Solutions as an independent public company

Laurence Moorse as Group Finance Director will be supported by Peter Harrison as Group Chief Financial Officer, once the necessary regulatory approvals have been gained Peter is currently Finance Director of Ai Claims Solutions, overseeing its exceptional track record of never writing down any material debt in the last eight years, an exceptional performance from any significant player in the claims outsourcing space, only possible due to appropriate focus on managing the relationship within insurers and an ethical approach to drive down the cost of claims to the industry as a whole, ensuring that clients are always happy to pay our debts compared to the alternative bills they would have received from competitive organisations Peter has worked extremely closely with Laurence over the last few months, to ensure that we are on exemplary standing with all of our core banking relationships resulting in the acquired businesses for the first time in their recent history having their banking facilities renewed on a two year basis rather than the normal annual review that they have experienced in the past This is a clear signal by the banks in their faith in the performance of the enlarged Group

The banks have gained confidence following both focussed due diligence on Quindell and also the quality of its team Adding to this is seeing that block settlements of Ai Claims Solutions debt have reduced debtors by over £11 million, by the end of 2012 with no net write-downs having been required Also that the profile of these block settlements were representative of the overall debtor book within Ai Claims Solutions and therefore further opportunities exist for block settlements in 2013 with over £40 million of debt outstanding This position helps to underpin the Board's confidence that with no shortage of business being available for organic growth, that market expectations can be exceeded as working capital is also in place to support this additional organic growth, subject to our continued strong cash management and debtor control to fund this growth

Customers
Together, the top twenty UK auto market participants represent over 90% of the UK auto insurance market It is encouraging therefore to now be in a position whereby the Group has agreements in place with a significant proportion of these Our outsourcing and referral partners include telecoms companies, insurance companies, brokers, body shops, vehicle manufacturers, and fleet companies as well as other intermediaries Over 40 independent outsourcing and referral partners have now agreed to and are providing significant outsourcing volume to Quindell post the Legal Aid, Sentencing and Punishment of Offenders reforms ("LASPO") coming into effect in April 2013 Many of these are top-tier within their sector, ensuring that as a group, we are not overly dependent on any one income source

Quindell enables business transformation using our own 'Champion/Challenger' based leading practice technology solutions and provides a broad range of outsourcing services including legal services, medical reporting, rehabilitation, accident management, credit hire, replacement vehicles, and credit repair as well as other brand extension services within financial services, utilities and telecoms

Within the insurance sector, Quindell operates a model comprising these services that is significantly ahead of the market and one that we believe will revolutionise the UK auto insurance industry through its combination of our deep sector knowledge, innovative technology and integrated supply chain, stamping down the cost of claims whilst above all, improving the customer experience for the brands who choose to partner with Quindell We do this by addressing the cost of claims in all key areas including personal injury and vehicle hire and repair, which account for approximately two-thirds of all motor claims costs, in a manner that is truly ethical in its delivery Our solutions also maintain levels of ancillary income for our outsourcing and referral partners, providing them with competitive advantage

Executive Chairman's Review

Key operating milestones

Operationally, our overall focus during 2012 has been to continue to deliver every day for our clients' brands and their customers, to successfully integrate our acquired businesses, and to sign further outsourcing contracts that have the capability of earning the Group significant additional revenues per annum

Throughout the year we agreed new contracts and extensions to existing client contracts in our key markets of insurance and telecoms and across a broad range of geographies Together, additional business wins from both new and existing customers and acquired growth have enabled the Group to achieve a year on year increase in gross sales of 1,154%

The majority of this new business by volume uses the Outsourcing Division's end-to-end proposition of a complete insurance supply chain offering Validating Quindell's ethical and significant market leading model, through a combination of innovative technology and integrated supply chain, this proposition stamps down the cost of claims whilst improving the consumer customer experience for the brands who choose to partner with Quindell

In May 2012 we announced our first significant contract win for a combination of the Group's insurance outsourcing service offerings with one of the UK's largest insurance intermediaries, worth circa £120 million over a three-year period Over the summer months we continued to sign significant new business, increasing run rate volumes and strengthened further our pipeline of contracts with a number of new pilot projects and active contract discussions with a number of top tier insurers By October 2012, the Group had received verbal agreements on five of these projects and contract discussions had progressed significantly on an initial three with values at a similar scale or larger than the previous £120 million contract announced In addition to this, we announced that the business has signed with a number of smaller, mid-tier insurance related brands with an additional £30m per annum of outsourcing work across all areas of the supply chain, with contracts typically three years in duration In December 2012 we announced that Quindell had converted further of its outsourcing partnership pilots

This growth in scale, which continued into 2013 leads us to now believe Quindell Legal Services is now the largest provider of personal injury claims services in the UK, helping tens of thousands of injured people every year get the compensation they deserve

The Group's Software and Consulting Division also agreed a series new contracts and extensions over the year, across its key markets and a range of geographies, delivering over £30 million of revenue of which circa 67% came in the second half as our previous restrictions in selling our technology within the insurance sector came to an end In September we announced the signing of a major new contract in South Africa, in conjunction with the acquisition of Quintica, with a leading multi-national telecoms group, for Quindell's Challenger OSS technology In November the Group signed a 5-year property claims contract with on-going maintenance and support, for market leading claims and analytics software with one of the world's leading risk managers In December, we announced a 200 user technology project valued in excess of £3 1 million with subsequent phases planned for the implementation of the technology into other areas of the business and to support other jointly planned initiatives, as well as the signing of a letter of intent in relation to a five-year multi million pound contract with a top six UK motor insurance company, enabling the insurer to deal efficiently and effectively with all motor insurance claims it receives in the UK

Acquisitions, Investments and Strategic Relationships

Having acquired Mobile Doctors in December 2011, we announced over two successive days in January 2012 an agreement to acquire the legal services firm Silverbeck Rymer and our 29 9% investment in Ai Claims Group Plc ("Ai Claims Solutions"), one of the UK's leading outsourcers for the management of motor claims This swift move ensured that our competitors were unaware of our plans for our insurance outsourcing offering, maintained our first mover advantage, commenced marketing of our joint insurance proposition and enabled us to commence our application to the Solicitors Regulation Authority to obtain a licence as an Alternative Business Structure ("ABS") to operate as a legal services business

In April 2012 we announced a further investment in Ai Claims Solutions, taking our holding to 77 6% and announced a public offer for the remaining 22 4%, which resulted in the Group owning circa 98 4% of Ai Claims Solutions

In May 2012 the Group acquired IT-Freedom, a software solutions company, with a demonstrable track record in the insurance sector, completing the Group's platform for the provision of insurance services

In September 2012 the Group acquired Quintica, a specialist systems integrator and outsource service provider to the telecommunications marketplace throughout the Middle East and Africa, delivering a combination of technology solutions and supply chain management services to a number of the major national carriers and multinational telecom groups The acquisition further strengthened Quindell's systems integration capability for its technology solutions and provides a platform for further expansion into a geography where the demand for software and services continues to expand at a rapid rate

At the end of the same month the Group acquired Overland Health, an integrated rehabilitation supplier offering physiotherapy, psychological counselling and injury case management including specialist medical treatments through the use of its cloud-based technology, evidence-based assessment and management tools, and outcome focused programmes

Executive Chairman's Review

Having obtained its ABS licence with effect from 21 December 2012, the Group acquired the trade and assets of three of the legal firms that it had partnered with during the latter half of the year Silverbeck Rymer, acquired on 21 December, and Pinto Potts and The Compensation Lawyers, acquired in the last week of December 2012 In doing so the Group legal services business, Quindell Legal Services Limited, acquired an enviable presence in the market with over 60 years' experience, working in partnership with many leading brands and operating a fully in-house 24/ 7 service from multiple locations in the UK Quindell Legal Services now offers a range of specialist personal injury claims services including those related to road traffic accidents, employer's liability and public liability

The Group has also continued to develop its relationships with its investments and distribution partners during the year In February 2012, we increased our holding in 360GlobalNet Limited to circa 19% During the year 360GlobalNet has continued to develop its innovative technology and provide consultancy in the business use of video, and rapid data-mining of all data formats with particular emphasis on fraud prevention and compliance monitoring

Post the year end in May, the Group announced the acquisition of 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 enabled Quindell to increase its shareholding in 360GlobalNet Limited from 19% to 60% as well as acquiring associated companies The vendors have now agreed to a significant element of their consideration being tied to achieving £10 million profit before tax in each of 2014 and 2015 from the provision of property services

In April 2012, the Group increased to 19 7% its holding in ingenie, a brand that addresses two of the largest issues facing the motor insurance industry today the prohibitive cost of young car driver insurance and the high customer acquisition costs Ingenie, whose co-shareholders include Royal Sun Alliance and Ageas, uses telematics technology developed in partnership with Williams F1 Team to reduce claims costs, whilst pioneering an innovative social media strategy, effectively reducing the traditional reliance on aggregators

During the year, Ingenie made significant progress in its objectives, demonstrating a combination of extremely low cost of acquisition of new customers compared to traditional brokers through its use of social media and enviable claims ratios as a result of its technology and training program

The Group extended its partnership agreement with SMI Telecoms LLC throughout the year, increasing its shareholding to 19% and in May 2012 becoming the sole and exclusive distributor for SMI products on a global basis In November 2012, the Group agreed a solution partnership with Global IT innovator, NTT DATA in the UK, to help telecommunications Service Providers and Network Operators improve their customer service delivery The partnership delivers Integrated Service Management transformation solutions that help improve quality, reduce outages and save 30 per cent in cost and efficiency

Finally, in December 2012 Quindell entered into an exclusive partnering agreement with Abstract Legal Holdings, the parent company of Accident Advice Helpline ("AAH") whereby Quindell became its exclusive provider of all legal services AAH is one of the UK's leading ethical online consumer brands acting as the 'consumer champion' through which the general public can gain access to justice via its panel of law firms

In addition to the partnering agreement, the Group entered into an acquisition agreement enabling it to acquire AAH in 2013, adding a proven, trusted, direct consumer channel to Quindell's business model ensuring that the Group can process claims from the full range of sources through our managed, ethical supply chain, and supporting our stance that we are driving down the cost of claims for the industry Quindell paid a non-refundable deposit towards this transaction in December 2012, with the additional consideration for the acquisition of AAH satisfied on completion on 8 April 2013

Post period news

The Group has enjoyed a strong start to the new financial year with Adjusted EBITDA for the first quarter ended 31 March 2013 in excess of £25 million This represents an increase of circa 350% on first quarter 2012 of £5 5 million and an increase of circa 10% on the last quarter of 2012, which was £23 2 million

EBITDA margins for the first quarter were ahead of our long term guidance of 20 to 25% As from 1 April 2013, the start of our second quarter, LASPO reforms begin to come into effect, and overall margin percentages will revert towards our long term guidance levels However, provided within Quindell Legal Services (part of our Services Division) we conduct a pro-active approach toward litigation where appropriate and agree where possible to charge a percentage of damages on successful cases to the claimant then the margin difference post LASPO is minimal

The Group has continued to be successful during the first part of 2013 in converting pilots to full relationships, achieving a 100% success rate, with all the major outsourcing and partnership pilots that the Group announced as being in progress during the latter stages of 2012, now successfully converted into contract or ongoing relationships The Group has continued to focus on contracting new business on terms which minimise the Group's working capital requirements in this period of growth The majority of the Group's outsourcing volumes are now the subject of long term commitments of up to five years, providing confidence on activity levels and enabling us to continue to leverage this position across the Group and with our supply chain partners

Conversion of our pipeline has been a priority for our executive team during the first quarter of the current financial year, and will remain so for the rest of these first six months It was particularly pleasing therefore to be able to announce in April 2013 that our five year contracts with the RAC, one of the UK's most trusted and progressive motoring organisations with over 7 million members, had been finalised

The RAC agreements, which are for a combination of Quindell's technology enabled outsourcing services and market leading software and consultancy once again validate Quindell's significant market leading model, are significant from day one and have the potential to be the largest that the Group has entered into to date as revenues grow during 2013 and beyond Our outsourcing services contract with the RAC is for our 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 enabling an offering to RAC members that own vehicles representing circa 10% of the UK auto market The cost of claims for the UK auto market is over ten billion pounds per annum and the offering therefore has the potential to address over 5% of this UK auto claims cost per annum, subject to claims reported and growth in conversion into service over the life of the contract The signing of this contract followed an initial pilot period until early 2013, which had resulted in an improvement of more than 50% on conversion rates and improved member awareness of service offering for RAC compared with the levels of performance over the previous three years

This has resulted in significant improvements in members' customer journeys whilst still ensuring that the service offered is operated in an ethical manner and delivers a 20% reduction in the total cost of claims This is achievable by addressing the total cost of claims, including the provision of a quality legal and rehabilitation service for members, rather than simply focusing on recovering and repairing members' vehicles

The initial phase of the technology element of the RAC agreement is valued at circa £4 million, with the majority of these revenues being earned before the end of 2013, with subsequent phases being discussed for the implementation of the technology into other areas of the business RAC is also working with Quindell to support other jointly planned initiatives including some areas of RAC's recently announced telematics based initiatives

After extensive market evaluation, RAC chose to implement Quindell's award winning Challenger ICE Claims and ICE Track analytics and business intelligence technology platform Quindell's Challenger ICE technology platform will underpin RAC's business processes and give RAC the flexibility to adapt and react rapidly to market changes within the accident management arena In addition, it will help RAC achieve increased customer conversion, increase cross-selling and enable RAC to operate multiple processes in parallel This will allow RAC to continue to challenge existing champion processes and continue to improve the customer journey of its members

Kerry Michael
RAC Commercial Director

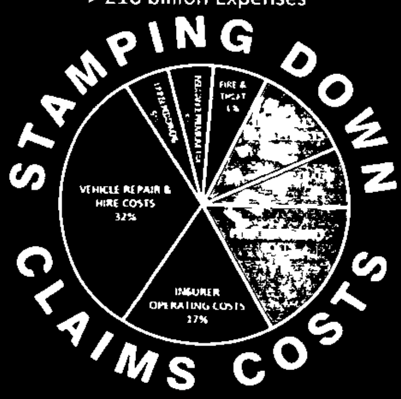
RAC has been looking after our members and their needs for more than 115 years and our association with Quindell will enable us to continue delivering market leading propositions into the future Together with Quindell, we are improving the customer journey for our Members whilst driving down the cost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

2010 UK Motor Claims Spend 100% = > £10 billion Expenses[1]



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!

Executive Chairman's Review

In line with Quindell's strategy to become a central claims hub for the insurance industry to help drive down the total cost of claims and to therefore encourage stake holding by key members of the industry, the RAC has been granted warrants over 250 million shares in the capital of Quindell exercisable at £0 13 per share (equating to a value of £32 5 million), or the average trading price in the 30 days prior to the move to full LSE listing if lower These warrants shall be exercisable at any time by the RAC during the next 24 months or until Quindell's AIM listing moves to a full LSE listing, if earlier Any profits achieved above the cost of the warrants will be subject to lock in arrangements ranging from 12 to 36 months

In March, the Group acquired iSaaS Technology Limited, the leading cloud-based SaaS provider to the medico legal and legal services industries both in the UK and overseas The acquisition is earnings enhancing in the current year and allows Quindell to benefit from market share beyond that which it is servicing directly The team at iSaaS has a progressive and disruptive approach to their market, which we believe delivers significant benefits beyond our own operations and we are pleased that we are now able to formalise this relationship through this acquisition

In April, the Group announced two bolt-on acquisitions The first was Compass Costs Consultants Limited one of the UK's leading legal costs consultancy and costs drafting firms This acquisition is earnings enhancing in the current year and significantly earnings enhancing for 2014 and fast tracks Quindell's growth in this key legal services area and also ensures our legal operation now includes the largest costs practice in the UK

The second was Crusader Assistance Group Holdings Limited, subject to FSA approval, a specialist provider of full claims management services for a number of the UK's leading auto insurance brokers as well as one of the UK's most innovative claims outsourcers This acquisition fast tracks Quindell's growth in brand extension services to brokers with new product offerings and provides synergistic revenue for Quindell

Operating for over twenty years, Crusader manages hundreds of thousands of policies per annum on behalf of their broker customers, developing brand extension services via the offering of white labelled niche policy products such as excess protect and reward, vehicle replacement, motor breakdown and legal assistance policies Crusader, which will operate as a business within Quindell's Services Division, will assist Quindell to increase the volume that it can take on during this period of significant organic growth and further enhance the Group's ability to deliver its insurance market offering maintaining its leading position in an evolving market place in light of the recent Ministry of Justice costs reforms and LASPO implementation

The Group also made a strategic acquisition that it had been planning even prior to its public listing of Iter8, a leading SaaS based provider to the North American insurance broker and agent market which marks Quindell's entry into North American Insurance market

Quindell's technology market leadership, proven in Europe, which is replicable in the North American market and Iter8 has a significant position in the North American market, being particularly dominant in Canada as a result of its specialism in providing SaaS based solutions to the direct insurance and broker channels, which accounts for more than 70% of the Canadian insurance distribution market along with insurance agents With over 40 major implementations for clients ranging from large multinational carriers including Aviva, Allstate, Allianz, Chubb, RSA, Wawanesa Insurance and Zurich to smaller niche players, Iter8's product lines include personal auto and property and commercial business owners, general liability, commercial packages, farm and specialty lines

In April, the Group secured a material new contract with one of the UK's largest insurance brokers The leading UK broker has agreed to extend via a new outsourcing contract its relationship with Quindell to 31st March 2014 This initial term included a trial period where a significantly improved customer journey was achieved compared to industry norms experienced from previous partners This contract is very material to Quindell's revenues and the largest signed, for the year ended 31 December 2013 The outsourcing partner is one of the UK's largest insurance brokers with over 1 2 million auto insurance policy holders

The Group also announced that multiple contract terms have been agreed for the direct operation of one of the UK's largest insurers The initial contracts, for up to three years, forge a multi-year relationship and in combination are expected to generate approaching £20m of revenue These will see the Group provide a range of business process outsourcing services to the client including medical reporting and rehabilitation, credit hire and deployment of repair, all underpinned by the Group's marketing leading SaaS based technology

In May, contract terms were agreed with one of the UK's largest accident management companies aggregating volume from smaller brokers and other insurance intermediaries This contract win with revenue already run rating over £36 million per annum, adds to the 40+ independent outsourcing and referral partners now providing significant volume post LASPO and is targeting to deliver over 1,000 injury claims per month to the Group on a six month rolling contract

Executive Chairman's Review

Outlook

Our combined offerings continue to generate substantial interest in the insurance market and the implementation of regulatory changes continues to provide us with the opportunity to win additional new business The Group therefore expects to win additional major customers that are currently within its sales pipeline over the remainder of the year with the Group targeting to convert first those relationships where the cash profile is optimum With our combined model and diversified offering, the Group will continue to be able to operate a profitable business model as Quindell grows during this period of significant industry consolidation

Recent market developments mean that most of the largest insurance players in the UK, following pressure on profitability and changes in regulation, are now rapidly looking to introduce schemes for telematics based motor insurance and we believe Quindell, as a clear market leader, is in a strong position to capitalise on this Our strategy is to leverage both this position in the fast growing telematics segment and our strength in technology enabled outsourcing

Along with the Quindell team, I am looking forward to 2013 with confidence and the opportunity of continuing to help our existing and prospective clients maintain or improve historic income levels whilst operating in a manner which is both ethical and drives down the cost of claims for the industry as a whole

We plan to continue on the same path, looking to grow organically with new clients, to add more services to existing ones and actively seeking out value-enhancing acquisitions that are focused on our target market

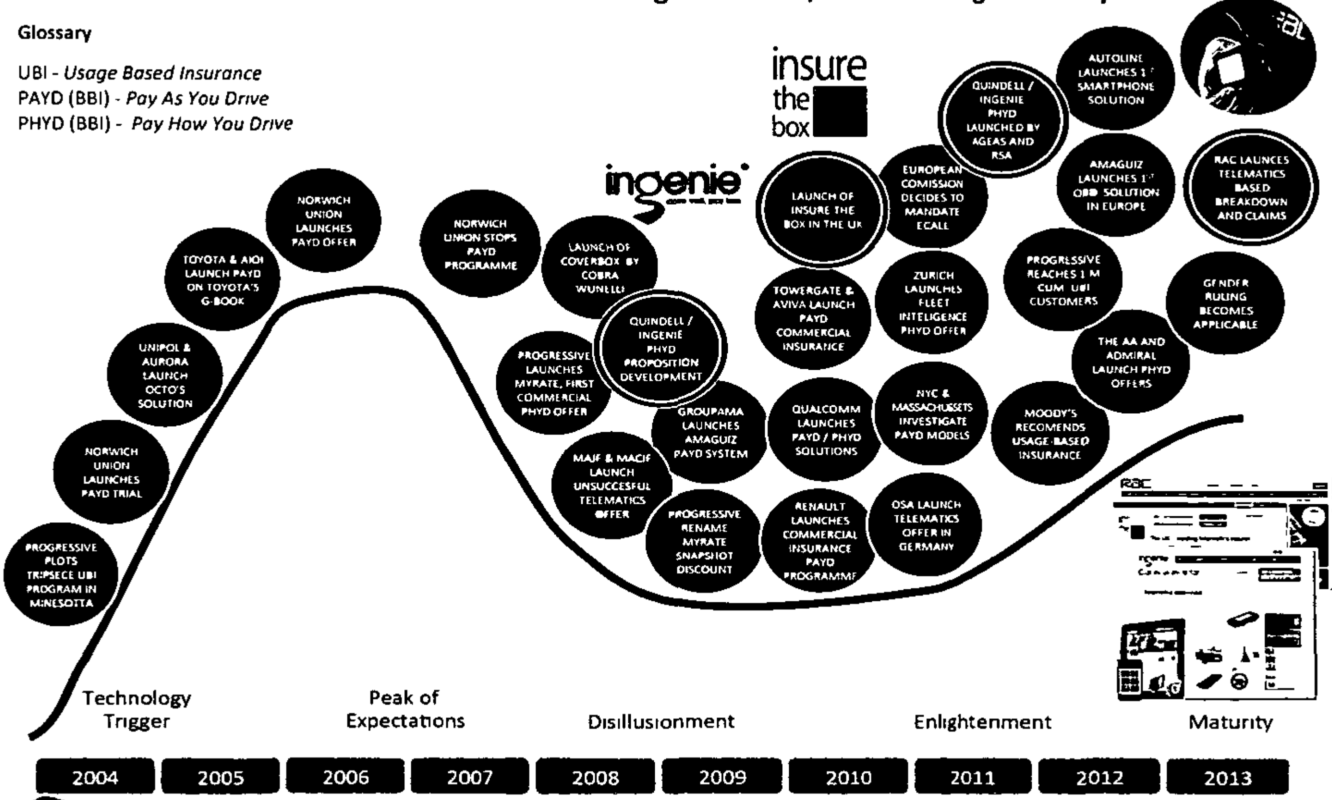
The Board is confident that we are very well positioned for continued growth in 2013, expects to rapidly progress our move towards a full listing and it is the Board's current intention to pay a maiden dividend to shareholders in early 2014 in respect of the Group's performance for year ended December 2013

Robert Terry
Founder and Executive Chairman

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

ageas TESCO Underwriting ingenie

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

Financial Review

"2012 has been another year of significant progress for Quindell. The Group completed further acquisitions, including its purchase of the Aim listed group Ai Claims Solutions Plc, and, having obtain regulatory approval to operate as a licenced Alternative Business Structure for legal services in December, acquiring the trade and assets of three personal injury law firms including one of the market leaders Silverbeck Rymer. The Group also saw success in achieving its first major contract wins for the combined businesses, validating its business model for the UK auto insurance market."

Laurence Moorse, Group Finance Director

Basis of reporting

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use in the EU, together with the associated International Financial Reporting Interpretation Council (IFRIC) interpretations and those parts of the Companies Act 2006 applicable to entities reporting under IFRS 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 Within these financial statements and its accompanying reports, reference is made to Adjusted EBITDA and Adjusted Earnings Per Share These measures are two of the metrics used by the Board to monitor the underlying performance of the Group As described in the Consolidated Income Statement, Adjusted EBITDA is the profit before tax excluding amortisation, depreciation, net interest and exceptional costs Adjusted Earnings Per Share is as described in note 14

Results overview

2012 has been another year of significant progress for Quindell The Group completed further acquisitions, including its purchase of the Aim listed group Ai Claims Solutions Plc, and, having obtain regulatory approval to operate as a licenced Alternative Business Structure for legal services in December, acquiring the trade and assets of three personal injury law firms including one of the market leaders Silverbeck Rymer The Group also saw success in achieving its first major contract wins for the combined businesses, validating its business model for the UK auto insurance market

Total revenues in the year were £137 6 million compared with £13 7 million for the prior year The Software and Consulting Division recorded revenues of £30 1 million (22%) and the Technology Enabled Outsourcing Division, £107 5 million (78%) during the year

Operating profit was £42 3 million for the year (2011 £4 1 million) Adjusted EBITDA, being Profit before tax, excluding interest, depreciation, amortisation and exceptional costs, totalled £52 2 million at a margin to revenue of 38% compared to £6 7 million at a margin of 49% for the prior year Exceptional costs of £5 3 million were incurred during the year relating to acquisition costs, and the costs of raising finance The tax charge was £9 3 million (2011 credit of £0 1 million) Profit after tax for the year was £31 9 million compared to £4 2 million for the prior year Adjusted Basic EPS, as defined in note 14, for the year was 1 40 pence per share, and Basic EPS was 1 17 pence per share (2011 Adjusted Basic EPS 0 73 pence and Basic EPS 0 47 pence)

Acquisitions

Expansion of the Group's product range and its sales and service capabilities through acquisition, in addition to organic growth, continued to be an important element of the Group's growth strategy In total, the consideration of the Group's acquisitions during the period was £96 4 million including deferred cash of £4 5 million The provisional estimate for the fair value of goodwill was £68 1 million on these acquisitions Details of the financial effects of these acquisitions are set out in note 34

Financing, cash flow and dividends

The Group maintains a focus on managing its working capital and targets 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 For 2012, the Group's operating cash flow was an inflow of £38 8 million before exceptional costs, tax and net finance costs of £4 7 million (2011 an inflow of £5 5 million before costs of £1 1 million) The underlying EBITDA to operating cash flow conversion ratio being 74% The purchase of intangible assets and tangible fixed assets were £4 2 million (2011 £1 4 million) and the net cash consideration of subsidiaries and investments was £58 4 million (2011 £2 7 million) The issue of shares during the period gave rise to an inflow of £91 0 million (2011 £2 4 million) During the year, the Group made loans to other parties of £15 1 million The Group's cash balance at the end of 31 December 2012 was £47 2 million During the year to 31 December 2012, net funds increased from a position of net debt of £13 4 million to net cash of £16 6 million as a result of cash inflow of £49 7 million, and reduced by the net debt that was acquired with subsidiaries, the majority of which came through the Group's acquisition of Ai Claims Group plc Further detail relating to the cash flows and movements in net funds of the Group is given in the consolidated cash flow statement and in note 29

The Board is not recommending the payment of any dividends for the current financial year It is the Board's current intention to pay a maiden dividend to shareholders in early 2014 in respect of the Group's performance for year ended December 2013, although it will continue to devote the majority of its cash resources to its operations during this continued period of growth

Going Concern
The Group has available to it considerable financial resources, and a robust balance sheet As at 31 December 2012, the Group had cash of approximately £47 2 million, and undrawn banking facilities taking the total working capital available to the Group above £80 million Since the year end, the Group has successfully renewed and extended its two core banking facilities to April 2015, and is continuing to work closely with each of its providers of debt finance, and manage cash resources to ensure that the Group continues to have headroom in working capital for the growth that is being achieved in the 2013

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

Risks
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

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

Regulatory change
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 is plans and activities accordingly

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 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

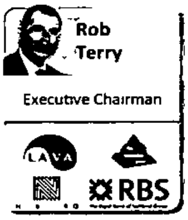
Management of growth
The Group's plans to continue its growth will place further demands on its management, administrative processes and deal sourcing resources In order to minimise this risk, the Group has formed its Strategy and Integration Advisory Board, one of the purposes of which is to support business integration, drawing upon the specific skills and experience of its members

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 that 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

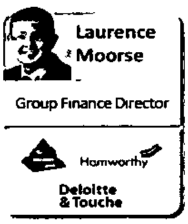
Board of Directors & Executive Team

Robert Terry
(aged 44)
Founder and Executive Chairman



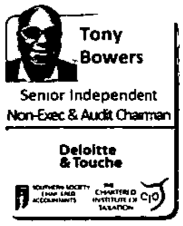
Following a period as an independent management consultant for a number of multinational companies (primarily in the legal, banking and insurance industries including with Nabarro and RBS), Robert founded SCS Consulting Limited, specialising in the integration of various document management and workflow 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 Moorse
(aged 40)
Group Finance Director



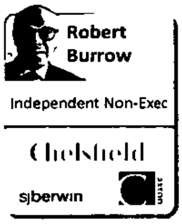
Laurence has worked at senior finance and board level for international groups across a broad range of sectors including the software, outsourcing, telco and engineering industries Having started his career in 1994 at Deloitte, he joined the Innovation Group Plc in 2000 where he held a number of senior 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 60)
Non-executive director



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 62)
Non-executive director

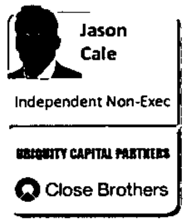


Robert qualified as a solicitor in 1975 and was a partner of SJ Berwin LLP from 1985 to 2007 He has extensive experience in international mergers and acquisitions Robert is also a non-executive director of Caxton Global Investments Limited and MWB Group Holdings plc He is also non-executive chairman of Tintagel International Limited and chief executive of Chelsfield Advisers LLP

Stephen Scott
(aged 60)
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

Jason Cale
(aged 42)
Non-executive director



Jason qualified as a solicitor in 1995 with Cameron McKenna and Co before joining Hill Samuel as a corporate financier He subsequently joined Close Brothers Corporate Finance where he focused on the leisure, retail and healthcare sectors In 2002 Jason founded Ubiquity Capital Partners which takes equity positions in, and works with, rapidly growing companies as platforms for consolidation strategies in their relative sectors utilising public capital markets where appropriate

David Sandhu
(aged 43)
Group Chief Operating Officer

David became CEO of Ai Claims Solutions in 2006, which now forms part of Quindell's services division, having previously been Group Managing Director from 2005 and Director of Claims and Operations
Prior to joining Ai in 2000, he spent twelve years working in the claims teams of a number of insurers including Bishopsgate, GRE, AGF and Fortis, specifically dealing with complex claims In the two years prior to joining Ai, he was responsible for Fortis policy on Credit Hire A statistician by background, David has a particular interest in Operational Research and he is also an executive member of the CHO and a member of the ABI GTA Technical Committee Following David's appointment as CEO of Ai Claims Solutions, revenues and profits grew exponentially from £37m in year ending June 2006 to £118m in 2011

Board of Directors & Executive Team

Peter Harrison
(aged 51)
Group Chief Financial Officer

Peter Harrison
Group Chief Financial Officer

Peter joined Quindell in April 2012, upon its acquisition of Ai Claims Solution PLC, where he was Chief Financial Officer He qualified with Touche Ross & Co and as a senior manager had a broad portfolio of plc clients He has extensive financial services and general insurance expertise gained with Aviva, where as a Director of Finance he was responsible for the financial management of the UK general insurance business, playing a leading role in the integration of the Norwich Union and CGU businesses Peter also led the commercial finance team in the UK Life business prior to joining Royal & Sun Alliance as UK Financial Reporting & Control Director

Robert Thomson
(aged 49)
Chief Executive Solutions Division

Robert Thomson
Chief Executive Solutions Division

Robert has over twenty five years experience working in the insurance and technology market thirteen of which were for IBM and over the last year, post restrictions from his prior position with a competitor organisation, the Innovation Group, was able to work directly with the Board on our overall sales process and business development strategy, leveraging the unique propositions that have been developed by Quindell in this time of significant technology and regulatory change

Robert Fielding
(aged 48)
Chief Executive Services Division

Robert Fielding
Chief Executive Services Division

Robert Fielding as divisional Chief Executive responsible for Quindell's Outsourcing Services Division was previously the Chief Operating Officer of Mobile Doctors plc, one of the leading providers of medico-legal reports for personal injury claims for the UK market now within Quindell Health Services Latterly nine months prior to Quindell's acquisition of legal firm Silverbeck Rymer into Quindell Legal Services, Robert was appointed by the partnership as Chief Executive
Robert brings over twenty five year's experience in the insurance and medical sectors, having previously held prominent roles with BUPA, Sedgwick Group plc, Royal & Sun Alliance plc and First Assist

Award-winning people delivering award-winning customer service.

INVESTORS IN PEOPLE | Silver

Investing in our people We have achieved Investor In People status since 2003 and, in 2010, were awarded Silver Status. The Silver Status award is one that only 5-10% of those businesses that have the Investor In People status manage to achieve. The Investors In People assessor noted that "it was clear that the organisation has developed and communicated an ambitious but realistic strategy for continued growth ... People appreciated the openness of the Directors in communicating the future aims (of Ai)."

Rewarding dedicated staff
Quindell recognises these members of staff who have shown their dedication to the Company 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 gain 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.

Best Contact Centre
(over 50 seats) (2011)
Call North West Contact Centre Awards

Contact Manager of the Year
(over 50 seats) (2011)
Call North West Contact Centre Awards

UK Claims Excellence Finalist (2011)
Claims Technology Initiative of the year

Investor in people
Silver Award (2010)

Insurance Times Finalist (2010)
Claims Initiative

Best Training Programme (2010)
Call North West Contact Centre Awards

Best Contact Centre (over 50 seats) (2010)
Call North West Contact Centre Awards

Claims Initiative of the Year (2008)
Insurance Times Award

Business of the Year (2008)
Accountancy & Business Awards,
NW Society of Chartered Accountants

Claims Initiative of the Year Finalist (2007/08)
British Insurance Awards

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, in line with best practice 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, when finalised will be 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,

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

- share-based long-term incentives via participation in a Company Share Option Plan,
- 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 150% of basic salary for the Group Chief Executive and 0% to 75% for the Group Finance Director 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
It is intention of the Board to grant share options to reward performance and align the interests of executives with those of shareholders Share options 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 below

Directors Remuneration Report

Directors' emoluments
The remuneration of the directors, including the highest paid director who was Chairman and Chief Executive, was as follows

	Salary and fees £'000	Annual cash bonus £'000	**Total 2012 £'000**	Total 2011 £'000
Executive				
R Terry	402	488	**890**	407
L Moorse	219	123	**342**	130
	621	611	**1,232**	537
Non-executive				
A Bowers	34	-	**34**	21
R Burrow [1]	25	-	**25**	16
J Cale [1]	23	-	**23**	2
S Scott [1]	22	-	**22**	16
P Goldenberg	-	-	-	20
G Ciardi	-	-	-	-
C Phillips	-	-	-	3
Total	725	611	**1,336**	615

Note 1 Non-executive director fees were paid to companies connected to these directors

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

	31 December 2012	31 December 2011
R Terry [2]	683,000,000	680,500,000
L Moorse	17,600,000	17,500,000
A Bowers [2]	1,237,415	1,219,444
R Burrow [2]	15,775,000	15,674,532
J Cale [2]	81,499,729	61,241,396
S Scott [2]	76,594,884	72,825,407

Note 2 holding includes shares held as family interests or by virtue of their position as beneficiary or potential beneficiary of certain trusts of companies

There have been no changes to the interests in shares of the directors since 31 December 2012 None of the directors held interests in options over the ordinary share capital of the Company during either the current or prior years

The mid market price of the Company's ordinary shares at 31 December 2012 was 17 0p and the range during the period 1 January 2012 to 31 December 2012 was 5 0p to 17 5p

This report was approved by the board of directors on 7 May 2013 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 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 four non-executive directors, one of whom, Anthony Bowers, is the senior independent director

The Board has four scheduled meetings 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 nominations The Company Secretary is secretary to each committee

Audit committee
The audit committee consists of Anthony Bowers, Jason Cale and Stephen Scott and is chaired by Anthony Bowers It aims to 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, Jason Cale and Stephen Scott and is chaired by Anthony Bowers 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 Chief Executive 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 15 to 16

Nominations committee
The nominations committee consists of Robert Burrow, Jason Cale and Stephen Scott and is chaired by Stephen Scott The committee 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 Portfolio Plc welcomes feedback from investors about its published reports and website Please address your feedback to our investor relations team by e-mail to *investor@quindell com* or in writing to Quindell Portfolio Plc, Quindell Court, 1 Barnes Wallis Road, Segensworth East, Fareham, Hampshire PO15 5UA

Corporate Governance Report

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 15

Director's Report

The directors present their report and the audited financial statements for the year ended 31 December 2012

Business review

Comments on the results for the period and on future developments are contained in the Executive Chairman's Review on pages 4 to 13 together with the Financial Review on pages 14 to 15 and are to be incorporated into this directors' report by reference

These reports contain forward-looking statements which have been made by the directors in good faith based on information available to them up to the time of their approval of this report and must be treated with caution due to the uncertainties including economic, business and other risk factors inherent in any such forward-looking information

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 to brands operating in the following sectors

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

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 Revenue (£137 6m), gross profit percentage (49 4%), Adjusted EBITDA (£52 2m) and Adjusted Earnings Per Share (1 40), both as defined in the Consolidated Income Statement on page 26, and adjusted operating cash flow (£38 8m before exceptional cash flows)

Acquisitions and disposals

During the year the Group made 13 acquisitions Details of these are given in the Executive Chairman's Review on pages 4 to 13 and the financial review on pages 14 to 15 Additional information is also given in note 34 to these financial statements

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 page 15 Further details of mitigating factors relating to financial risk are also described in note 31 to the 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 pages 20 to 21

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 2012 was 89 days (2011 48 days)

Charitable and other donations

The Group did not make any charitable or political donations in the period (2011 nil)

Dividends

The directors do not propose the payment of any dividends in respect of the year to 31 December 2012 (2011 nil) The Company did not pay an interim dividend during the period (2011 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 26 to the 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 As a consequence of being granted a licence 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 relisted on Aim, approximately 1 9 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 14 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 no employee share schemes in place No person has any special rights of control over the Company's share capital and all issued shares are fully paid

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

Directors

The names of the current directors, together with brief biographical details, are shown on page 16 There were no changes to the Board during the year

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 period are described in note 35, 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 Portfolio Plc group of companies during the period

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 18 to 19 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 3 May 2013 of the following substantial interests in the Company's issued ordinary share capital

Registered holder	Number of ordinary shares	% of issued share capital
Investec Asset Management	175,293,151	4 4%
Merrill Lynch International	195,324,528	4 8%

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 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 Company

Statement of Directors responsibilities in respect of the annual report and financial statements

The Directors are responsible for preparing the report of the Directors and the Group and Company financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare Group and Company financial statements for each financial year Under that law they have elected to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and Company financial statements under UK GAAP

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 Company and of its profit or loss for that period In preparing the Group and 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,
- state whether applicable IFRSs or UK 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 Company will continue in business

Director's Report

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

Under applicable law and regulations, the Directors are also responsible for preparing a Report of the Directors together with all narrative sections at the beginning of this report that complies with that law and those regulations

The Directors are responsible for the maintenance and integrity of the corporate and financial information inclued in 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
RSM Tenon Audit Limited have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming AGM

By order of the board

Edward Walker
Company Secretary
7 May 2013

Independent Auditor's Report

To The Members of Quindell Portfolio Plc
We have audited the financial statements of Quindell Portfolio Plc for the year ended 31 December 2012 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Company Balance Sheet and the associated notes The financial reporting framework that has been applied in their preparation is applicable law and, as regards the group financial statements, International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, United Kingdom Accounting Standards (United Kingdom 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 auditors
As explained more fully in the Directors' Responsibilities Statement set out on pages 23 and 24, 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 (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's and the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by directors, and the overall presentation of the financial statements In addition we read all the financial and non-financial information in the Chairman and Group Chief Executive's Report, the Group Finance Directors report, the Corporate Governance Report and the Report of the Remuneration Committee to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 2012 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 United Kingdom Generally Accepted Accounting Practice, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in 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

Jeremy Filley (Senior Statutory Auditor)
For and on behalf of RSM Tenon Audit Limited, Statutory Auditor, Vantage, Victoria Street, Basingstoke, Hampshire, RG21 3BT
7 May 2013

Financial Statements

Consolidated Income Statement

for the year ended 31 December 2012

	Note	12 months 2012 £'000	15 months 2011 £'000
Revenue	5	**137,558**	13,707

Gross sales attributable to the whole Group			
Revenue		137,558	13,707
Legal services related sales	5	34,361	-
Gross sales attributable to the whole Group	5	171,919	13,707

	Note	12 months 2012 £'000	15 months 2011 £'000
Cost of sales		**(69,562)**	(4,976)
Gross profit		**67,996**	8,731
Administrative expenses			
- Normal		**(20,702)**	(3,117)
- Exceptional costs	8	**(5,265)**	(1,689)
- Total administrative expenses		**(25,967)**	(4,806)
Other income	9	**336**	202
Share of results of associate		**(19)**	8
Group operating profit	7	**42,346**	4,135
Finance income	12	**127**	-
Finance expense	12	**(1,232)**	(70)
Profit before taxation		**41,241**	4,065
Taxation	13	**(9,339)**	93
Profit for the period		**31,902**	4,158
Attributable to			
Equity holders of the parent		**31,809**	4,161
Non-controlling interests		**93**	(3)
		31,902	4,158

Adjusted Profit before taxation and Adjusted EBITDA			
Profit before taxation		41,241	4,065
Amortisation		2,649	589
Exceptional costs	8	5,265	1,689
Adjusted Profit before taxation		49,155	6,343
Depreciation		1,976	277
Net finance expense	12	1,105	70
Adjusted EBITDA		52,236	6,690

	Note	pence	pence
Basic earnings per share	14	**1 171**	0 472
Diluted earnings per share	14	**1 162**	0 429
Adjusted basic earnings per share	14	**1 402**	0 730
Adjusted diluted earnings per share	14	**1 392**	0 664

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2012

	12 months 2012 £'000	15 months 2011 £'000
Profit after taxation	**31,902**	4,158
Exchange differences on translation of foreign operations	**(1)**	-
Total comprehensive income for the period	**31,901**	4,158
Attributable to		
Equity holders of the parent	**31,808**	4,161
Non-controlling interests	**93**	(3)
	31,901	4,158

Consolidated Statement of Changes in Equity

for the year ended 31 December 2012

	Share capital £'000	* Share premium Account £'000	* Merger reserve £'000	Shares to be Issued £'000	Equity reserve £'000	Foreign currency translation reserve £'000	Non-controlling interest £'000	Retained earnings £'000
At 1 January 2012	20,041	8,145	25,825	106	54	-	(3)	307
Profit for the year	-	-	-	-	-	-	93	31,809
Other comprehensive income	-	-	-	-	-	(1)	-	-
Issue of share capital	16,175	98,878	54,495	(106)	-	-	-	-
Expense 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 payment reserves movement	-	-	-	-	-	-	-	120
Non-controlling interest at acquisition	-	-	-	-	-	-	3,276	-
Cost of acquiring non-controlling interest	-	-	-	-	-	-	(3,091)	-
At 31 December 2012	**36,216**	**102,026**	**80,320**	**-**	**54**	**(1)**	**275**	**34,843**
At 1 October 2010	1,082	3,961	-	-	54	-	-	(4,549)
Profit for the period	-	-	-	-	-	-	(3)	4,161
Issue of share capital	18,959	4,184	25,825	-	-	-	-	-
Shares to be issued	-	-	-	106	-	-	-	-
Share-based payment reserves movement	-	-	-	-	-	-	-	695
31 December 2011 * Restated see note 34	20,041	8,145	25,825	106	54	-	(3)	307

Consolidated Balance Sheet

as at 31 December 2012

	Note	2012 £'000	Restated see note 34 2011 £'000
Non-current assets			
Intangible assets	15	**142,640**	54,226
Property, plant and equipment	17	**7,224**	5,052
Investments	18	**7,143**	1,238
		157,007	60,516
Current assets			
Inventories	19	**160**	115
Trade and other receivables	20	**202,340**	31,671
Corporation tax		**-**	210
Cash	21	**47,230**	3,711
		249,730	35,707
Total assets		**406,737**	96,223
Current liabilities			
Bank overdraft	21	**(15,871)**	-
Borrowings	23	**(6,280)**	(5,874)
Trade and other payables	22	**(102,836)**	(24,004)
Corporation tax		**(7,457)**	-
Obligations under finance leases	24	**(479)**	(291)
		(132,923)	(30,169)
Non-current liabilities			
Borrowings	23	**(7,475)**	(10,223)
Trade and other payables	22	**(8,032)**	-
Obligations under finance leases	24	**(568)**	(684)
Deferred tax liabilities	25	**(4,006)**	(672)
		(20,081)	(11,579)
Total liabilities		**(153,004)**	(41,748)
Net assets		**253,733**	54,475
Equity			
Share capital	26	**36,216**	20,041
Share premium account	27	**102,026**	8,145
Merger reserve	27	**80,320**	25,825
Shares to be issued	26	**-**	106
Equity reserve	27	**54**	54
Foreign currency translation reserve		**(1)**	-
Retained earnings		**34,843**	307
Equity attributable to equity holders of the parent		**253,458**	54,478
Non-controlling interests		**275**	(3)
Total equity		**253,733**	54,475

The financial statements of Quindell Portfolio Plc, registered number 5542221, on pages 26 to 66 were approved and authorised for issue by the board of directors on 7 May 2013 and signed on its behalf by

R S Terry	L Moorse
Director	Director

Consolidated Cash Flow Statement

for the year ended 31 December 2012

	Note	12 months 2012 £'000	15 months 2011 £'000
Cash flows from operating activities			
Cash inflow from operations before exceptional costs	29	**36,216**	5,481
Cash outflow from exceptional costs		**(2,101)**	(1,033)
Net cash inflow from operating activities		**34,115**	4,448
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,289)**	(167)
Purchase of intangible fixed assets		**(2,899)**	(1,225)
Proceeds on disposal of property, plant and equipment		**36**	-
Proceeds from sale of subsidiary undertaking		**-**	500
Acquisition of subsidiaries net of cash acquired		**(54,319)**	(1,586)
Purchase of fixed asset investments		**(4,101)**	(1,125)
Sale of fixed asset investment property		**-**	497
Loans to other parties		**(15,107)**	-
Payments for swap contracts		**(15,583)**	-
Net cash used in investing activities		**(93,262)**	(3,106)
Cash flows from financing activities			
Issue of share capital		**90,953**	2,413
Finance lease repayments		**(888)**	(180)
Repayment of mortgage		**(71)**	(497)
(Repayment)/additional secured loans received		**(3,719)**	975
Additional unsecured loan monies received		**520**	-
Repayment of loan notes		**-**	(982)
Net cash generated from financing activities		**86,795**	1,729
Net increase in cash and cash equivalents	30	**27,648**	3,071
Cash and cash equivalents at the beginning of the period	21	**3,711**	640
Cash and cash equivalents at the end of the period	21	**31,359**	3,711

Adjusted operating cash flow before tax and net finance expense

Cash flows from operating activities before exceptional costs	29	**36,216**	5,481
Add back tax and net finance expense		**2,582**	47
Cash generated from operations before exceptional costs		**38,798**	5,528

Notes to the Consolidated Financial Statements

1 General information

These financial statements are the consolidated financial statements of Quindell Portfolio 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, PO17 5PG The nature of the Group's operations and its principal activities are set out on page 37

During the prior period, the Company's reporting end date was extended from 30 September to 31 December, and accordingly the comparative figures within these financial statements cover the 15 month period to 31 December 2011

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

None in the current financial period

Standards and interpretations not affecting the reported results nor the financial position

Amendment to IAS 1	Presentation of Financial Statements – Other Consolidated Income (effective for periods beginning on or after 1 July 2012)

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)

International Financial Reporting Standards (IFRS)

IFRS 9	Financial Instruments Classification and Measurement (effective for periods beginning on or after 1 January 2013) – replacement of IFRS 7 and IAS 39
Amendment to IAS 24	Related Party Disclosures
IFRS 10	Consolidated Financial Statements (effective for periods beginning on or after 1 January 2013)
IFRS 11	Joint Arrangements (effective for periods beginning on or after 1 January 2013)
IFRS 12	Disclosures of Interests in Other Entities (effective for periods beginning on or after 1 January 2013)
IFRS 13	Fair Value Measurement (effective for periods beginning on or after 1 January 2013)
Amendments to IAS 27	Separate Financial Statements (effective for periods beginning on or after 1 January 2013)
Amendments to IAS 28	Investments in Associates and Joint Ventures (effective for periods beginning on or after 1 January 2013)
Amendment to IFRS 7	Financial Instruments (effective for periods beginning on or after 1 January 2013)
Amendment to IAS 19	Employee benefits (effective for periods beginning on or after 1 January 2013)
Amendment to IAS 32	Financial Instruments (effective for periods beginning on or after 1 January 2014)

The following amendments were made as part of the annual improvements to IASs (all effective for periods beginning on or after 1 January 2013)

Amendment to IAS 1	Presentation of Financial Statements Clarification of comparative information
Amendment to IAS 16	Property, Plant and Equipment Classification of servicing equipment
Amendment to IAS 32	Financial Instruments Tax effect of distributions to the holders of equity instruments

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

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 periods 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

Basis of consolidation

The financial statements represent a consolidation of the Company and its subsidiary undertakings as at the balance sheet date and for the year then ended Subsidiaries acquired or disposed of during the period are included in the consolidated financial statements from, or up to, the date upon which control passed, being the ability to govern the financial and operating policies of the investee entity so as to obtain benefits from its activities This is considered to be the effective date of acquisition or disposal, as appropriate 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 balance sheet, 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 period of acquisition

The Board has considered whether the acquisitions made during the year, including that of Ai Claims Solutions plc constituted reverse acquisitions under IFRS 3 'Business Combinations' Having considered the criteria for determining the acquirer and acquiree set out in appendix B of IFRS 3 the Board is satisfied that the acquirer in each case is Quindell Portfolio Plc and therefore has adopted acquisition accounting for the business combination of those companies

Revenue recognition

The Group derives its revenues from the provision of technology enabled sales and service based outsourcing services, software, business and technology consulting services, administration and management services, white labelled solutions, e-commerce, SaaS solution sales and other services to a range of industries including insurance, telecoms, finance, health, leisure and retail

The Group's Outsourcing Division provides technology enabled sales and service based outsourcing services The Software and Consulting Division provides software, business and technology consulting services, administration and management services, white labelled solutions, e-commerce, membership services, SaaS solutions and other services Customers for each division can be consumers, other businesses, membership bodies or other non-profit making organisations Where the Group enters into outsourced partnering agreements with third parties, revenue is recognised by the Group to the extent that it is contractually entitled to invoice or accrue amounts in respect of those revenues, that the amounts are determinable and that collection is reasonably assured

Revenue earned by the Outsourcing Division

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 acts as broker or agent, the Group's customer retains the obligations for delivery of the contract between the customer and its client, and the Group's revenue is recorded solely as the fee relating to the provision of services provided by the Group on that transaction Where the Group retains the liability for the delivery or settlement of some or all of the contract, revenue is accounted for gross

Revenues are recognised in line with the delivery of the related services or referred work including, where appropriate, an assessment of accrued income In the case of certain of the Group's revenue streams the amount of revenue recognised is measured by reference to the total amounts likely to be invoiced less a suitable allowance to recognise the uncertainties remaining

Income from fees that cover a delivery period is recognised over the related period On certain sales and service contracts where there are fixed and contracted term lengths and no other services are required to be performed by the seller during the remainder of the contract, for example where the Group acts as a broker for the sale of a product on behalf of another party, then these revenues are recognised in full at the point of sale of the product or service to the third party

Revenue earned by the Software and Consulting Division
The Software and Consulting 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 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 For example, when software licences are sold together with implementation services and the fair value of either element is not determinable, both software licence and the implementation services are recognised using the percentage of completion method with provisions for estimated losses on uncompleted contracts being recorded in the period in which such losses become probable based on the current contract cost estimates When software licences are sold together with PCS services and the fair value of either revenue stream is not determinable, the licence income is recognised over the period of the PCS services

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, then under IFRS requirements these receivables under the contracts are recognised at the point of sale

Maintenance, Hosting and other PCS Services
Maintenance, Hosting and PCS services are either billed on a periodic basis in advance, in which case the Group recognises this revenue spread over the period of the contract, or as invoiced on a monthly basis, in which case revenue is recognised in the month of invoicing

Solution Delivery Implementation Services
Revenues for all fixed fee contracts are recognised on a percentage complete basis Where the percentage complete does not coincide with payment milestones the revenue is accrued or the payment shown on account The Group calculates the percentage to complete by comparing the number of man days utilised at each period end with the total number of man days required to complete the project Where the contract includes explicit acceptance criteria associated to the milestones the revenue is recognised in stages of the achievement of those milestones and customer acceptance Project plans are reviewed on a regular basis with losses recognised immediately in the period in which such losses become probable based on the current 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 research and development costs are shown separately

Operating profit
Operating profit is stated before finance income or finance expense

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 period in which they are incurred

Share-based payments

Warrants
The Company has 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 The Group has adopted a Black-Scholes model to calculate the fair value of warrants

Options
The fair value of options granted to employees is recognised as an employee 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

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 balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date, with any gains or losses being included in net profit or loss for the period
On consolidation the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date Income and expense items are translated at the average exchange rates for the period 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

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 intangible assets are assumed to be nil The estimated useful economic lives of intangible assets are as follows

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

Impairment of tangible fixed assets and intangible assets excluding goodwill
At each balance sheet 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 period 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, and amortised on a straight-line basis over their useful lives

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
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 calculated on prices prevailing at the date of acquisition

Estimated residual values and useful lives are reviewed annually and adjusted where necessary

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 cost when acquired Any impairments are dealt with through the Income Statement, as are differences between carrying values and disposal receipts

Notes to the Consolidated Financial Statements

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 balance sheet 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

Legal disbursements

Amounts incurred by the Group with third parties in relation to legal disbursements on unbilled cases are recorded within trade payables Where disbursements represent services provided by parts of the Group, they are shown as revenue in the Income Statement To the extent that these are recoverable from third parties, an asset is recorded within Other debtors

Trade payables

Trade payables do not carry any interest and are stated at their historic cost

Cash and cash equivalents

Cash and short-term deposits in the Balance Sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less 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 balance sheet 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 balance sheet 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

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 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 assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet 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 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 of a telecoms, insurance or utility service 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

Measurement and impairment of acquired intangible assets
The measurement of intangible assets other than goodwill on a business combination involves estimation of future cash flows and the selection of a suitable discount rate

Measurement of useful economic life of intangible assets
In instances where the intangible asset does not have a defined term or life, it is necessary to estimate the useful economic life of the intangible asset based on estimated period over which the asset will generate cash flows or otherwise be of benefit to the Group

Measurement and impairment of goodwill
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 15 The carrying amount of goodwill at 31 December 2012 was £117,430,000 (2011 £48,257,000)

Debtor Provisioning in Outsourcing 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 balance sheet 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 31 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

Notes to the Consolidated Financial Statements

5 Revenue

The analysis of the Group's revenue is as follows

	2012	2011
	£'000	£'000
Sale of goods and services	137,558	13,707
Revenue	137,558	13,707
Legal services related sales	34,361	-
Gross sales attributable to whole Group	171,919	13,707
Finance income	127	-
	172,046	13,707

During 2012 the Group commenced activities in the area of legal services These activities included application to the Solicitors Regulation Authority to obtain regulatory approval to operate as an Alternative Business Structure, permission for which was granted 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 this sector, three of which it acquired during December 2012, one it acquired in April 2013 The Group has invoiced sales totalling £63 7 million under these arrangements Only the net profit under these arrangements of £29 3 million has been recognised as revenue Had the four businesses been consolidated as part of the Group from the inception of the partnering agreements, revenues of the Group would have increased by £34 4 million, taking gross sales attributable to the whole group to £171 9 million, with no difference in the Group's reported profit for the year

6 Business and geographical segments

Operating segments

For management purposes, the Group is organised into two operating divisions (1) Software and consulting and (2) Outsourcing 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 Software and consulting 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 Outsourcing 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, finance costs and income tax expense and is a measure reported to the Group Chief Executive and the Board for the purpose of resource allocation and assessment of segment performance

Notes to the Consolidated Financial Statements

2012	**Software and consulting £'000**	**Outsourcing £'000**	**Central £'000**	**Total £'000**
Revenue				
Software and consulting (management and one time fees, e–commerce and click fees)	30,068	-	-	30,068
Technology enabled outsourcing (sales, service, other)	-	107,490	-	107,490
Total revenue	30,068	107,490	-	137,558
Adjusted EBITDA* before central costs				
Software and consulting	24,042	-	-	24,042
Technology enabled outsourcing	-	32,157	-	32,157
Total EBITDA* before central costs	24,042	32,157	-	56,199
Group costs	-	-	(3,963)	(3,963)
Adjusted EBITDA*	24,042	32,157	(3,963)	52,236
Exceptional costs	(267)	(2,162)	(2,836)	(5,265)
Depreciation and amortisation	(2,093)	(1,083)	(1,449)	(4,625)
Net finance expense	(60)	(1,070)	25	(1,105)
Profit/(loss) before taxation	21,622	27,842	(8,223)	41,241
Taxation	(4,250)	(4,818)	(271)	(9,339)
Profit after taxation	17,372	23,024	(8,494)	31,902

2011	Software and consulting £'000	Outsourcing £'000	Central £'000	Total £'000
Revenue				
Software and consulting (management and one time fees, e–commerce and click fees)	6,768	-	-	6,768
Technology enabled outsourcing (sales, service, other)	-	6,939	-	6,939
Total revenue	6,768	6,939	-	13,707
Adjusted EBITDA* before central costs				
Software and consulting	5,859	-	-	5,859
Technology enabled outsourcing	-	2,345	-	2,345
Total EBITDA* before central costs	5,859	2,345	-	8,204
Group costs	-	-	(1,514)	(1,514)
Adjusted EBITDA*	5,859	2,345	(1,514)	6,690
Exceptional costs	-	-	(1,689)	(1,689)
Depreciation and amortisation	(607)	(120)	(139)	(866)
Net finance expense	-	-	(70)	(70)
Profit/(loss) before taxation	5,252	2,225	(3,412)	4,065
Taxation	-	-	93	93
Profit after taxation	5,252	2,225	(3,319)	4,158

* EBITDA is shown before exceptional costs

Notes to the Consolidated Financial Statements

Other information

	Software and consulting £'000	Outsourcing £'000	Unallocated corporate assets £'000	Total £'000
2012				
Capital additions	**28,840**	**70,387**	**1,303**	**100,530**
Balance sheet				
Assets	**63,020**	**261,881**	**81,836**	**406,737**
Liabilities	**(18,662)**	**(116,651)**	**(17,691)**	**(153,004)**
2011				
Capital additions	23,053	38,958	-	62,011
Balance sheet				
Assets	30,220	58,778	4,089	93,087
Liabilities	(3,590)	(34,948)	(74)	(38,612)

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

2012	**United Kingdom £'000**	**Non-United Kingdom £'000**	**Total £'000**
Revenue	**126,825**	**10,733**	**137,558**
Other segment information			
Assets	**257,165**	**6,931**	**264,096**
Intangible assets	**136,076**	**6,565**	**142,641**
Total assets	**393,241**	**13,496**	**406,737**
Capital expenditure			
Tangible assets	**5,653**	**696**	**6,349**
Intangible assets	**87,587**	**6,594**	**94,181**

2011
As at 31 December 2011, the Group's operations were primarily located in the UK The Group also has offshore back office facilities in South Africa and utilises a strategic partnership with third party operations in India

Information about major customers
Total revenues for 2012 include £15 5 million (crossing both the Software and Consulting, and Outsourcing divisions) to the Group's largest customer Sales to the largest customer and distribution partner in 2011 totalled £5 6 million (crossing both the Software and consulting, and Outsourcing divisions)

7. Operating profit

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

	2012 £'000	15 months 2011 £'000
Depreciation of property, plant and equipment - owned assets	**1,474**	155
Depreciation of property, plant and equipment - leased assets	**502**	122
Amortisation of intangible assets	**2,649**	589
Operating lease rentals - plant and machinery	**226**	11
Operating lease rentals - other	**278**	27
Loss on disposal of investment property	**-**	104
Cost of inventories recognised as an expense	**909**	460
Net foreign exchange gains	**(2)**	-
Auditor's remuneration	**322**	230
Staff costs (note 11)	**15,885**	1,937

The analysis of auditors' remuneration is as follows

	2012 £'000	15 months 2011 £'000
Audit services - statutory audit	**244**	68
Other services		
Taxation compliance	**74**	8
Corporate finance services	**4**	152
Other not covered above	**-**	2
Total non-audit fees	**78**	162

Amounts included above in respect of the parent company are statutory audit fee £35,000 (2011 £15,000)

8 Exceptional Costs

	2012 £'000	15 months 2011 £'000
Acquisition costs		
Acquisition related fees	**1,837**	994
Costs of integration and associated redundancies	**782**	-
Share based payments associated with the issue of warrants	**-**	695
Share based payments associated with share options of a subsidiary	**120**	-
Cost of raising finance	**2,526**	-
	5,265	1,689

2012
Exceptional costs relate to the cost of acquisitions listed in note 34, together with costs associated with the Group's capital raising activities
2011
Exceptional costs relate to the cost of acquisition, primarily in relation to the Group's purchase of Quindell Limited and Mobile Doctors Group plc

9 Other income

	2012	15 months 2011
	£'000	£'000
Gain on re-measurement of associate on acquisition of control	336	-
Forgiveness of mortgage debt on investment property	-	202
	336	202

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 Portfolio Plc has not been separately presented in these financial statements The loss for the period attributable to shareholders dealt with in the financial statements of Quindell Portfolio Plc is £770,000 (2011 loss of £884,000)

11 Employee and staff costs

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

	2012	2011
	Number	Number
Technology, consulting and outsourcing	372	58
Management and administration	225	91
	597	149

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

	2012	15 months 2011
	£'000	£'000
Emoluments	1,336	615

The emoluments of the highest paid director were £890,000 (2011 £407,000) No retirement benefits were accruing under any schemes in respect of any of the directors (2011 none) None of the directors received any remuneration in connection with contributions to pension schemes

Total employee costs were as follows

	2012	15 months 2011
	£'000	£'000
Wages and salaries	15,379	1,895
Social security costs	1,490	205
Pension costs	358	-
	17,227	2,100

Included in the total above are £1,342,000 (2011 £163,000) of salaries which were capitalised during the year

Notes to the Consolidated Financial Statements

12 Net finance expense

	2012 £'000	15 months 2011 £'000
Bank interest receivable	**127**	-
Interest payable on bank loans and overdrafts	**(1,113)**	(33)
Interest on obligations under finance leases	**(97)**	(37)
Other interest payable	**(22)**	-
Total interest payable	**(1,232)**	(70)
Net finance expense	**(1,105)**	(70)

13 Taxation

	2012 £'000	15 months 2011 £'000
The taxation charge/(credit) comprises		
UK current tax	**9,058**	-
Adjustments in respect of prior year	**14**	-
Total current tax	**9,072**	-
Deferred tax in respect of UK companies	**267**	(93)
Taxation	**9,339**	(93)

Income tax for the UK is calculated at the standard rate of UK Corporation tax of 24 4% (2011 26%) on the estimated assessable profit for the period The total charge for the period can be reconciled to the accounting profit as follows

	2012 £'000	15 months 2011 £'000
Profit on ordinary activities before tax	**41,241**	4,065
Tax at 24 4%/26% thereon	**10,062**	1,057
Effect of		
Expenses not deductible for tax purposes	**596**	(124)
Accelerated capital allowances and other temporary timing differences	**375**	18
Research and development tax credit claim	**(981)**	-
Changes in respect of prior year	**14**	-
Utilisation of tax losses	**(727)**	(1,044)
Total tax charge/(credit) for the year	**9,339**	(93)

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 £101,000 (2011 £584,000) in respect of losses amounting to £441,000 (2011 £2,246,000) that can be carried forward against future taxable income

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 period

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, exercise price is less than the average market price of the Company's ordinary shares during the period

The calculation of the basic and diluted earnings per share is based on the following data

	2012 **£'000**	15 months 2011 £'000
Basic profit for the period	**31,809**	4,161
Adjustments		
- exceptional costs	**5,265**	1,689
- amortisation	**2,649**	589
- tax effect on the above	**(1,624)**	-
Adjusted basic profit for the period	**38,099**	6,439

	Number **'000**	Number '000
Weighted average number of shares in issue in the period	**2,716,720**	881,177
Dilutive potential ordinary shares		
- Deferred consideration shares	**3,205**	79,333
- Warrants	**16,779**	8,552
Shares used to calculate diluted and adjusted diluted earnings per share	**2,736,704**	969,062

	Pence	Pence
Basic earnings per share	**1 171**	0 472
Diluted earnings per share	**1 162**	0 429
Adjusted basic earnings per share	**1 402**	0 730
Adjusted diluted earnings per share	**1 392**	0 664

After the balance sheet date, and as disclosed in detail in note 36 (post balance sheet events), a further 426,135,715 (2011 567,055,203) shares had been issued Had these been issued at the start of the relevant reporting period this would have the effect on earnings per share as follows

Basic earnings per share	1 006	0 287
Diluted earnings per share	1 004	0 271
Adjusted basic earnings per share	1 205	0 468
Adjusted diluted earnings per share	1 203	0 442

Notes to the Consolidated Financial Statements

15 Intangible assets

	Note	2012	Restated see note 34 2011
		£'000	£'000
Other intangible assets		**25,210**	5,969
Goodwill	16	**117,430**	48,257
		142,640	54,226

The movements in other intangible assets is as follows

	Customer contracts, data, brands and relationships	IPR, software and licences	Total
	£'000	£'000	£'000
Cost			
At 1 October 2010	-	-	-
Acquired with subsidiary	4,952	996	5,948
Additions - internally generated	-	124	124
Additions - purchased	72	1,033	1,105
Disposed with subsidiary	(59)	-	(59)
At 1 January 2012	**4,965**	**2,153**	**7,118**
Acquired with subsidiary	**9,484**	**10,382**	**19,866**
Additions - internally generated	-	**1,288**	**1,288**
Additions - purchased	**2,352**	**1,500**	**3,852**
At 31 December 2012	**16,801**	**15,323**	**32,124**
Amortisation			
At 1 October 2010	-	-	-
Acquired with subsidiary	461	99	560
Charge for the period	505	84	589
At 1 January 2012	**966**	**183**	**1,149**
Acquired with subsidiary	-	**3,116**	**3,116**
Charge for the year	**1,369**	**1,280**	**2,649**
At 31 December 2012	**2,335**	**4,579**	**6,914**
Net book value			
31 December 2012	**14,466**	**10,744**	**25,210**
31 December 2011	3,999	1,970	5,969

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 the consolidated income statement

The movement in goodwill is as follows

	Restated see note 34 Goodwill £'000
Cost	
At 1 October 2010	22
Additions - purchased	921
Arising on acquisition of subsidiaries	47,792
Disposals	(456)
At 1 January 2012	**48,279**
Additions - purchased	**32,152**
Arising on acquisition of subsidiaries	**37,021**
At 31 December 2012	**117,452**
Amortisation	
At 1 October 2010	22
Charge for the period	-
At 1 January 2012	**22**
Charge for the period	-
31 December 2012	**22**
Net book value	
31 December 2012	**117,430**
31 December 2011	48,257

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

		2012 £'000	Restated see note 34 2011 £'000
Software and consulting division	UK	**43,859**	23,173
	Non-UK	**5,697**	-
Outsourcing division	UK	**67,874**	25,084
		117,430	48,257

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 period (2011 £nil) and the cumulative impairment charge recognised to date was nil (2011 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 23%, and the estimated long-term growth rate for each CGU of 3% The resulting cash flows were discounted using a pre tax discount rate of 12%

The recoverable amount exceeds the carrying amount by more than 100% in each case

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 profitability of each CGU would have to reduce by more than 50% or the pre tax discount rate would have to increase above 25% to result in an impairment charge for either of the CGUs

17 Property, plant and equipment

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost				
At 1 October 2010	-	-	-	-
Additions	88	1	773	862
Acquired on acquisition of subsidiaries	5,925	232	3,510	9,667
Disposals	-	-	(13)	(13)
Disposed with subsidiaries	-	-	(13)	(13)
At 1 January 2012	**6,013**	**233**	**4,257**	**10,503**
Additions	**1,408**	-	**534**	**1,942**
Acquired on acquisition of subsidiaries	**1,755**	**422**	**2,230**	**4,407**
Other reclassifications	**328**	-	**(328)**	-
Disposals	**(36)**	-	**(3)**	**(39)**
Exchange differences	-	-	**(1)**	**(1)**
At 31 December 2012	**9,468**	**655**	**6,689**	**16,812**
Depreciation				
At 1 October 2010	-	-	-	-
Acquired on acquisition of subsidiaries	3,302	30	1,859	5,191
Charge for the period	90	4	183	277
Disposals	-	-	(13)	(13)
Disposed with subsidiaries	-	-	(4)	(4)
At 1 January 2012	**3,392**	**34**	**2,025**	**5,451**
Acquired on acquisition of subsidiaries	**539**	**255**	**1,369**	**2,163**
Charge for the period	**852**	**241**	**883**	**1,976**
Disposals	-	-	**(1)**	**(1)**
Exchange differences	-	-	**(1)**	**(1)**
At 31 December 2012	**4,783**	**530**	**4,275**	**9,588**
Net book value				
31 December 2012	**4,685**	**125**	**2,414**	**7,224**
31 December 2011	2,621	199	2,232	5,052

Assets with a net book value of £1,392,000 (2011 £1,241,000) are held under finance leases

Notes to the Consolidated Financial Statements

18 Investments

	2012 £'000	2011 £'000
Trading investments carried at fair value	**7,143**	1,238

Investments represent the Group's shareholding in the following unlisted companies

	Country of incorporation	Percentage holding	£'000
ingenie Limited	UK	19 7	3,289
360GlobalNet Limited	UK	19 0	2,354
SMI Telecoms LLC	USA	19 0	1,500
			7,143

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

19 Inventories

	2012 £'000	2011 £'000
Finished goods	**160**	115

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

20 Trade and other receivables

	2012 £'000	2011 £'000
Trade receivables (net of impairment provision)	**73,271**	28,013
Other receivables	**61,145**	1,001
Prepayments	**7,879**	1,370
Accrued income	**46,748**	1,287
Derivative financial instruments (see note 31)	**13,297**	-
	202,340	31,671

Included above within gross trade receivables due from third parties is £70,487,000 (2011 £28,014,000) relating to debts subject to discounting

Included in other receivables is £23,902,000 (2011 £nil) relating to legal disbursements due from insurance companies and £19,930,000 (2011 £nil) paid by the Group and satisfied by the issue of 28,571,429 new shares and the payment of £14,970,000 in cash as a deposit towards the acquisition of Abstract Legal Holdings Limited, the parent company of Accident Advice Helpline Further consideration for the acquisition was satisfied by the issue on 8 April 2013 of 242,100,000 Quindell shares (see note 36) Other receivables also includes £750,000 (2011 £250,000) representing the rights to the beneficial interest in 152,000 (2011 52,000) A ordinary shares in Sandbourne Systems Limited ("SSL") The cash deposit regarding Abstract Legal Holdings Limited has been shown in the cash flow statement as a cash outflow in respect of investments

21 Cash and cash equivalents

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

	2012 £'000	2011 £'000
Cash and cash equivalents	**47,230**	3,711
Bank overdrafts (see note 23)	**(15,871)**	-
	31,359	3,711

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

22 Trade and other payables

	2012 £'000	Restated see note 34 2011 £'000
Current liabilities		
Trade payables	**47,937**	11,213
Payroll and other taxes including social security	**18,625**	5,683
Accruals	**20,751**	3,003
Deferred income	**2,178**	369
Other liabilities	**13,345**	3,736
	102,836	24,004
Non-current liabilities		
Other liabilities	**8,032**	-
	8,032	-

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

23 Borrowings

	2012	2011
Current	**£'000**	£'000
Bank overdrafts	15,871	-
Other secured loans	6,052	5,874
Unsecured loans	228	-
Finance leases (see note 24)	479	291
	22,630	6,165
Non-current liabilities		
Other secured loans	7,171	10,223
Unsecured loans	304	-
Finance leases (see note 24)	568	684
	8,043	10,907
Total	30,673	17,072

	2012	2011
	£'000	£'000
The borrowings are repayable as follows		
On demand or within one year	22,630	6,165
In the second to fifth years inclusive	8,043	10,907
	30,673	17,072
Less Amount due for settlement within 12 months (shown under current liabilities)	(22,630)	(6,165)
Amount due for settlement after 12 months	8,043	10,907

Bank overdrafts and mortgages
The Group has a bank overdraft in relation to Ai Claims Solutions Plc ("Ai Claims") incorporating a revolving credit facility and property loan of £16,488,000 (2011 nil) These are secured by a fixed and floating charge over the assets of Ai Claims and its subsidiaries

Other secured loans falling due within one year and in more than one year
Other secured loans include an amount of £12,423,000 (2011 £16,097,000) 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")

Other facilities
In addition the Group has agreed facilities totalling £13 million with The Royal Bank of Scotland plc secured on the assets of the Company and its principal subsidiaries, other than the Ai Claims and Mobile Doctors sub-groups

The weighted average interest rates paid were as follows

	2012	2011
	%	%
Bank overdrafts	3 35	3 00
Other secured loans	3 43	3 00
Unsecured loans	3 27	-

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

	2012	2011
	£'000	£'000
Other secured loans	13,223	16,097
Unsecured loans	532	-
Finance leases	1,047	975
	14,802	17,072

The Group has the following undrawn borrowing facilities, all at floating interest rates

	2012	2011
	£'000	£'000
Expiring within one year	13,447	-
Expiring beyond one year	20,262	603
	33,709	603

24 Obligations under finance leases

Minimum lease payments	2012	2011
	£'000	£'000
Within one year	550	366
In the second to fifth years inclusive	610	763
	1,160	1,129
Less future finance charges	(113)	(154)
Present value of lease obligations	1,047	975
Present value of minimum lease payments		
Within one year	479	291
In the second to fifth years inclusive	568	684
Present value of lease obligations	1,047	975
Analysed as		
Amounts due for settlement within one year	62	23
Amounts due for settlement after beyond one year	985	952
	1,047	975

It is the Group's policy to lease certain of its fixtures and equipment under finance leases The average lease term is four years For the year ended 31 December 2012, the average effective borrowing rate was 8 03 per cent (2011 8 35 per cent) 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 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

25 Deferred tax

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

	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	(276)	543	267
Acquired with subsidiaries	3,128	(61)	3,067
At 31 December 2012	**4,108**	**(102)**	**4,006**

Deferred tax liabilities	4,108
Deferred tax assets	(102)
At 31 December 2012	**4,006**

Deferred tax balances for balance sheet purposes are analysed as follows

At the balance sheet date there are no unrecognised deferred tax assets or liabilities

	2012 £'000	2011 £'000
Deferred tax liabilities are due as follows		
Deferred tax liability falling due within one year	**513**	98
Deferred tax liability falling due after one year	**3,595**	1,158
	4,108	1,256
Deferred tax assets are recoverable as follows		
Deferred tax asset to be recovered within one year	**(102)**	(584)

Notes to the Consolidated Financial Statements

26. Share Capital

	2012		2011	
	Number	**Nominal value**	Number	Nominal value
	'000	**£'000**	'000	£'000
Authorised	**6,000,000**	**60,000**	6,000,000	60,000
Issued and fully paid:				
At the start of the period	**2,004,114**	**20,041**	108,175	1,082
Issued during the period	**1,617,488**	**16,175**	1,895,939	18,959
At the end of the period	**3,621,602**	**36,216**	2,004,114	20,041

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 period

Reason for issue	**Date of issue (2012)**	**Issue share price (pence)**	**Number**	**Issue premium £'000**
Acquisitions				
Ai Claims Solutions Plc	24 January	7 125	58,311,720	3,572
	2 April	7 500	50,369,001	3,274
	17 May	6 500	4,691,946	258
	30 May	6 500	137,565	8
	26 September	10 000	902,205	81
Mobile Doctors Group Plc	25 January	2 880	2,975,649	56
	23 February	2 880	714,168	13
Enzyme International Limited	30 March	7 750	7,500,000	506
IT Freedom Limited	24 May	5 500	49,713,669	2,237
Intelligent Claims Management Limited	14 August	7 925	27,083,333	1,875
Quintica Holdings Limited	18 September	10 125	38,461,538	3,510
SWB Consulting Limited	18 September	10 125	10,000,000	912
Overland Associates Limited	26 September	10 000	140,000,000	12,600
Metaskil Group Limited	10 October	11 375	40,000,000	4,150
Abstract Legal Holdings Limited	3 December	17 375	28,571,429	4,679
Silverbeck Rymer	21 December	16 250	97,466,666	14,864
The Compensation Lawyers	31 December	10 000	2,200,000	198
Pinto Potts	31 December	16 125	87,500,000	13,234
Investments				
360GlobalNet Limited	28 February	6 625	16,666,667	937
Exercise of warrants	30 January	2 470	14,345,173	211
	28 August	2 470	6,000,000	88
	16 March	2 470	4,041,827	59
	31 October	2 470	5,000,000	73
Issued for cash	16 February	6 750	470,000,000	27,025
	2 November	13 000	203,846,154	24,462
	14 November	13 000	153,846,153	18,462
	3 December	17 500	97,142,857	16,029
			1,617,487,720	153,373

Notes to the Consolidated Financial Statements

Share based payments - warrants
The company had the following warrants outstanding as at 31 December 2012

Issue date	Exercise price (pence)	Expiry Date	**2012 Number**	2011 Number
14 July 2011	2 470	28 April 2012	-	17,517,803
14 July 2011	2 470	28 April 2013	**5,642,255**	17,517,803
14 July 2011	2 470	28 April 2014	**17,523,060**	17,523,060
			23,165,315	52,558,666

Details of the movement in share warrants outstanding are as follows

	2012		2011	
	Number	**WAEP (pence)**	Number	WAEP (pence)
Outstanding at the beginning of the year	**52,558,666**	**2 470**	8,512,910	7 000
Forfeited during the year	**(6,351)**	**2 470**	(8,512,910)	7 000
Granted during the year	-	-	52,558,666	2 470
Exercised during the year	**(29,387,000)**	**2 470**	-	-
Outstanding at the end of the year	**23,165,315**	**2 470**	52,558,666	2 470
Exercisable at the end of the year				
Issued at 2 47p	**23,165,315**		52,558,666	

The Group recognised total expense of £nil (2011 £695,000) related to the cost of warrants Expected volatility in 2011 was determined by calculating the actual volatility of the Group's share price since re-admission to AIM in May 2011 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

The inputs into the Black-Scholes model are as follows There are no inputs in the current year as there have been no warrants issued in the year

	2012	2011
Weighted average share price (pence)	-	3 000
Weighted average exercise price (pence)	-	2 470
Expected volatility	-	76%
Expected life (years)	-	1 75
Risk free rate	-	1 00%
Expected dividend yield	-	0 00%

Share based payments – employee benefits
A controlling stake in Ai Claims Solutions Plc ("Ai Claims") was acquired by the Group on 2 April 2012 At that time, Ai Claims had outstanding options in existence in respect of its share capital These options had been granted by Ai Claims to certain directors and employees under the Ai Claims Long Term Incentive Plan ("LTIP"), the Ai Claims Approved Share Option Scheme and the Ai Claims 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 Ai Claims 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 Ai Claims 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 movement in options held by individuals under the Ai Claims share schemes was as follows

	2012		2011	
	Number	**WAEP (pence)**	Number	WAEP (pence)
Approved and unapproved				
Outstanding and not vested on acquisition of Ai Claims	**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*	**(1,046,500)**	**27 77**	-	-
Outstanding at the end of the year	**-**	**-**	-	-
Exercisable at the end of the year	**-**	**-**	-	-
LTIPs				
Outstanding and not vested on acquisition of Ai Claims	**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	**-**	**-**	-	-

As at 31 December 2012, new options had not been issued by the Company, so at the year end, there were still rights in existence for the benefit of certain of the Ai Claims share schemes optionholders to be granted options over Quindell ordinary shares

The amount of compensation provided by the Group to holders of options over Ai Claims shares taking the cash compensation totalled £624,000

27 Reserves

	Share premium £'000	Merger reserve £'000	Shares to be issued £'000	Equity reserve £'000
At 1 October 2010	3,961	-	-	54
Premium arising on issue of equity shares	4,184	25,825	-	-
Shares to acquire Mobile Doctors Group Plc	-	-	106	-
At 1 January 2012 (restated – see note 34)	8,145	25,825	106	54
Premium arising on issue of equity shares	98,878	54,495	-	-
Shares issued	-	-	(106)	-
Expense incurred in issuing of equity shares	(4,997)	-	-	-
As at 31 December 2012	**102,026**	**80,320**	**-**	**54**

Shares to be issued of 3,689,833 shares as at 31 December 2011 related to the acquisition of 3 8 per cent of the remaining minorities of Mobile Doctors Group Plc 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 equity reserve represents the equity component of share based payments prior to 1 October 2010

28 *Operating lease commitments*

At the balance sheet 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	
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
Within one year	**132**	-	**90**	-
Expiring between two and five years	**444**	168	**54**	81
	576	168	**144**	81

Operating lease payments represent rentals payable by the Group for certain of its 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

29 *Cash flow from operating activities*

	2012	2011
	£'000	£'000
Operating profit	**42,346**	4,135
Adjustments for		
Exceptional costs	**2,101**	1,033
Depreciation of property, plant and equipment	**1,976**	277
Amortisation of intangible fixed assets	**2,649**	589
Share of loss/(profit) of associate	**19**	(8)
Gain on re-measurement of associate on acquisition of control	**(336)**	-
Negative goodwill released to income	**(1,049)**	-
Loss on derivative instrument	**2,286**	-
Profit on disposal of investment property	-	(98)
Profit on disposal of subsidiary	-	(205)
Share based payments	**120**	695
Operating cash flows before movements in working capital and provisions	**50,112**	6,418
(Increase)/decrease in inventories	**(45)**	222
Decrease/(increase) in trade and other receivables	**(1,628)**	(1,933)
(Decrease)/increase in trade and other payables	**(9,641)**	821
Cash generated from operations	**38,798**	5,528
Net finance expense	**(1,105)**	(35)
Tax	**(1,477)**	(12)
Net cash inflow from operating activities before exceptional costs	**36,216**	5,481

30 *Reconciliation of net cash flow to movement in net funds*

	1 January 2012	Acquisitions	Cash flow movement	Non-cash cash flow movement	**31 December 2012**
	£'000	£'000	£'000	£'000	**£'000**
Cash	3,711	1,120	42,399	-	**47,230**
Overdrafts and bank loans	-	(18,959)	3,088	-	**(15,871)**
Cash and cash equivalents	3,711	(17,839)	45,487	-	**31,359**
Mortgage < 1 year	-	(97)	10	-	**(87)**
Mortgage > 1 year	-	(637)	51	-	**(586)**
Other secured loans < 1 year	(5,874)	(86)	(5)	-	**(5,965)**
Other secured loans > 1 year	(10,223)	(108)	3,746	-	**(6,585)**
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 funds/(debt)	(13,361)	(19,083)	49,645	(644)	**16,557**

31 *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

In managing interest rate risk the Group aims to reduce the impact of short-term fluctuations on the Group's earnings Over the longer term, however, permanent changes in interest rates would have an impact on consolidated earnings

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows

	2012	2011
	£'000	£'000
Variable rate instruments – carrying amount	**28,826**	16,097
Fixed rate instruments – carrying amount	**800**	-
	29,626	16,097

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

	2012	2011
	£'000	£'000
Variable rate instruments	**247**	12
Fixed rate instruments	**-**	-
	247	12

Notes to the Consolidated Financial Statements

Liquidity risk

The Group has a strong cash flow and funds generated from operations are managed in centrally The Group maintains a mix of short and medium term borrowings from the Group's lenders

The following are the contractual maturities of financial liabilities

Non-derivative financial liabilities	Carrying amount £'000	Contractual cash flows £'000	Less than 1 year £'000	Between 1-5 years £'000	Over 5 years £'000
2012					
Other secured loans	**13,223**	**(13,274)**	**(6,064)**	**(6,980)**	**(230)**
Unsecured loans	**532**	**(570)**	**(245)**	**(325)**	-
Trade and other payables	**110,868**	**(110,868)**	**(102,836)**	**(8,032)**	-
Finance leases	**1,047**	**(1,160)**	**(550)**	**(610)**	-
	125,670	**(125,872)**	**(109,695)**	**(15,947)**	**(230)**
2011					
Other secured loans	16,097	(16,592)	(6,128)	(10,464)	-
Trade and other payables	20,868	(20,868)	(20,868)	-	-
Finance leases	975	(1,129)	(366)	(763)	-
	37,940	(38,589)	(27,362)	(11,227)	-

Credit risk

The Group is not subject to significant concentration of credit risk with exposure spread across a number of companies Policies are maintained to ensure that the Group enters into sales contracts with customers that are tailored to their respective credit rating The credit quality of the Group's trade receivables is considered by management to be generally good as the exposure to a concentration of debt from a small number of individual end customers is low

The average credit period taken on sales of services is 199 days (2011 363 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

	Note	2012 £'000	2011 £'000
Loans and receivables			
Trade receivables		**73,271**	28,013
Cash and cash equivalents	21	**47,230**	3,711
		120,501	31,724

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

	2012 £'000	2011 £'000
UK	**72,053**	28,013
Rest of the world	**1,218**	-
	73,271	28,013

Notes to the Consolidated Financial Statements

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

	2012	2011
	£'000	£'000
Sterling	72,053	28,013
Other	1,218	-
	73,271	28,013

The ageing of trade receivables at the reporting date was as follows

	2012	2012	2012	2011	2011	2011
	£'000	£'000	£'000	£'000	£'000	£'000
	Gross	Impairment	Net	Gross	Impairment	Net
Under 1 year	45,887	2,993	42,894	21,548	2,311	19,237
1-2 years	23,922	1,498	22,424	7,571	1,031	6,540
2-3 years	9,833	2,211	7,622	2,818	1,435	1,383
3 years and over	1,895	1,564	331	1,615	762	853
	81,537	8,266	73,271	33,552	5,539	28,013

Included in the above is an amount of £1 7 million which represents debts which are past their due date but not impaired

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

	2012	2011
	£'000	£'000
At 1 January / 1 October	5,539	-
Provision for receivables impairment	4,714	61
Acquired with subsidiary	6,368	5,478
Utilised	(7,850)	-
Unused amounts reversed	(505)	-
At 31 December	8,266	5,539

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
During 2012, the Group entered into an equity swap arrangement to take advantage in the share price movement over the forthcoming year as the Board feel that the share price of the Company is significantly undervalued The derivative financial instrument is recorded in the balance sheet at fair value Any change in the fair value of derivative financial instruments relating to the equity swap are recognised immediately in the income statement The Group recognised total unrealised losses of £2 3 million relating to such movements in 2012 (2011 nil) The fair value of the derivative financial instruments, based upon market prices of comparable instruments, as at the balance sheet date were as follows

	2012	2011
	£'000	£'000
Current assets		
Equity swap	13,297	-

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

Level 1	Fair values are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilties
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)

	2012	2011
Current assets	**£'000**	£'000
Level 1 – Equity swap	**13,297**	-

32 *Ultimate parent company*

The ultimate parent company of the Group is Quindell Portfolio Plc There were no shareholders with overall control of the Company as at 31 December 2012 or 31 December 2011

33 *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 In addition, at the time of its acquisition in 2011, Quindell Limited provided certain of its shareholders, some of which were also key management, representing a majority stake with an indemnity regarding taxation that may become due as a direct result of the transaction in order that the transaction may proceed (see note 34) It is the Group's policy to make specific provisions at the balance sheet date for all liabilities which, in the opinion of the directors, are expected to result in a significant loss The directors have reviewed the open claims, any pending litigation against the Group at the year end and its other potential liabilties and have concluded that no material unprovided loss is likely to accrue to the Group from any such unprovided claims

34 *Acquisition of subsidiaries*

2012
The Company made five 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 Where the Company's own shares form part of the consideration of an acquisition, these have been been valued according to the opening bid price (as recorded by AIM) on the day legal title passed

Ai Claims Solutions Plc
On 25 January 2012 the Group acquired a 29 9% stake in Ai Claims Solutions Plc ("Ai Claims") 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 Ai Claims Ai Claims is one of the UK's leading outsourcers for the management of motor claims The primary reason for the 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 Ai Claims at acquisition date are set out below

	Carrying value £'000	Fair value £'000
Tangible fixed assets	1,858	1,858
Other Intangible assets	3,608	4,378
Trade and other receivables	61,339	61,339
Cash and cash equivalents	(18,878)	(18,878)
Other secured loans	(734)	(734)
Finance leases	(316)	(316)
Trade and other payables	(35,963)	(35,963)
Deferred tax assets/(liabilities)	(64)	(241)
Net assets acquired	**10,850**	**11,443**
Consideration		
Shares (114,052,437 in stages see note 26)		8,336
Revaluation of initial investment at the point of gaining control		336
Fair value of non-controlling interest at year end		185
Cash		5,765
Total consideration		**14,622**
Goodwill arising from acquisition		**3,179**

The goodwill of £3 2 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 Acquisition costs of £530,000 were incurred and included as exceptional costs within administrative expenses

IT Freedom Limited
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 The provisional fair value of the combined identifiable assets and liabilities of IT Freedom at acquisition date are set below

	Carrying value	Fair value
	£'000	£'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 liabilities acquired	**(766)**	**(26)**
Consideration		
Shares (49,713,669)		2,734
Cash		500
Deferred cash consideration		3,000
Total consideration		**6,234**
Goodwill arising from acquisition		**6,260**

The goodwill of £6 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 Acquisition costs of £67,000 were incurred and included as exceptional costs within administrative expenses The deferred consideration is payable in three equal instalments in July 2013, July 2014 and July 2015

Legal Services businesses

On 21 December 2012 and 31 December 2012, the Group acquired the trade and certain assets and liabilities of three legal services 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 these acquisitions 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 these legal services businesses at acquisition date in aggregate are set out below

	Carrying value	Fair value
	£'000	£'000
Tangible fixed assets	270	270
Intangible assets	-	7,997
Trade and other receivables	61,341	61,341
Cash and cash equivalents	273	273
Trade and other payables	(51,569)	(51,569)
Deferred tax liabilities	-	(1,840)
Net assets acquired	**10,315**	**16,472**
Consideration		
Shares (187,166,666 in stages, see note 26)		30,168
Cash		13,530
Deferred cash consideration		1,500
Total consideration		**45,198**
Goodwill arising from acquisition		**28,726**

The goodwill of £28 7 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 The goodwill figure includes negative goodwill of £1 1 million relating to the purchase of The Compensation Lawyers which has been deducted from administrative expenses in the comprehensive income statement This negative goodwill arose due to the specific circumstances surrounding the future prospects of this business with the impending changes in legislation within the personal injury market and the fact that its sole source of revenue had separately contracted with the Group to provide it with case volume on an exclusive basis Acquisition costs of £363,000 were incurred and included as exceptional costs within administrative expenses

The group has agreed to pay the vendors of Pinto Potts additional consideration of £1 5 million dependent on the achievement of performance targets for the period to August 2013 Based on performance to date it is anticipated that the additional consideration will be settled in full in October 2013

Other acquisitions

During the period from 30 March 2012 to 10 October 2012, the Group also made a series of smaller acquisitions of companies as follows

		Consideration		
	Date of acquisition	**Shares**	**Cash**	**Total**
Company	**(2012)**	**£'000**	**£'000**	**£'000**
Enzyme International Limited	30 March	581	-	581
Simon Hall Associates Limited	11 May	-	1,000	1,000
Brand Extension (UK) Limited	18 July	-	1,750	1,750
Intelligent Claims Management Limited	14 August	2,146	-	2,146
SWB Consulting Limited	18 September	1,013	226	1,239
Quintica Holdings Limited	18 September	3,894	1,182	5,076
Overland Associates Limited	26 September	14,000	-	14,000
Metaskil Group Limited	10 October	4,550	-	4,550
		26,184	4,158	30,342

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, technology and consulting 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	112	112
Intangible assets	26	1,745
Trade and other receivables	4,030	4,030
Cash and cash equivalents	696	696
Other secured loans	(13)	(13)
Trade and other payables	(5,733)	(5,733)
Deferred tax liability	6	(389)
Net liabilities acquired	**(876)**	**448**
Consideration		
Shares (263,044,871 in total)		26,184
Cash		3,833
Deferred shares (3,205,128 in total)		325
Total consideration		**30,342**
Goodwill arising from acquisitions		**29,894**

Included in goodwill is £14,509,000 in respect of Overland Limited and £5,663,000 in respect of the Quintica Group

The goodwill of £29 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 acquisitions together with the workforce, which is not separately recognised Acquisition costs of £876,000 were incurred and included as exceptional costs within administrative expenses Additional share consideration of 3,205,128 shares is due in respect of the acquisition of Quintica Holdings Limited in September 2013

In aggregate, the acquired subsidiaries have contributed £68,207,000 to the revenues and £7,384,000 to the profit before tax of the Group If the acquisitions had all occurred on 1 January 2012, Group revenues for the period would have been £221,500,000 and Group profit before tax would have been £49,500,000 In determining these amounts, management has 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 2012

2011

The Company made three significant acquisitions during the period, and eight smaller acquisitions In each case, the acquirer obtained control through a combination of control over voting rights, positions on the board and by virtue of its financial strength and size relative to the acquired company

Quindell Limited

On 16 May 2011 the Group acquired the entire issued share capital of Quindell Limited This business combination was included in the Group's consolidated financial statements for the 15 months ended 31 December 2011 at provisional fair values Prior to the acquisition, Quindell Limited had, in order that the transaction may proceed, provided certain of its shareholders representing a majority stake with an indemnity regarding taxation that may become due as a direct result of the transaction The provisional fair value attributed to this indemnity was £nil, however the value has since been determined at £3,136,000 Accordingly the directors have reviewed and amended the fair value of liabilities acquired and the resulting goodwill This has been accounted for as a prior year adjustment as it is outside the 12 month measurement period, and under IFRS3 these values have been restated as at the date of acquisition There is no adjustment to the prior period consolidated Income Statement and hence no adjustment is required to the earnings per share calculation for that period

	Provisional fair values 31 December 2011 £'000	Restated Adjustments to provisional fair values £'000	Restated Fair values 31 December 2012 £'000
Tangible fixed assets	3,839		3,839
Other Intangible assets	1,289		1,289
Goodwill	4,322		4,322
Interests in associates	156		156
Inventories	368		368
Trade and other receivables	2,399		2,399
Cash and cash equivalents	445		445
Finance leases	(124)		(124)
Trade and other payables	(1,614)	(3,136)	(4,750)
Deferred tax liabilities	(60)		(60)
Other creditors	(2,287)		(2,287)
Net assets acquired	**8,733**	**(3,136)**	**5,597**
Consideration			
Shares (1,243,427,731)	30,713		30,713
Total consideration	**30,713**		**30,713**
Goodwill arising from acquisition	**21,980**	**(3,136)**	**25,116**

Other acquisitions

The fair value of the identifiable assets and liabilities of the remaining entities in aggregate at acquisition date totalled liabilties of £3 34 million, with consideration of £15 01 million resulting in goodwill of £18 35 million

Restatement of opening share premium account and merger reserve

Where the Group has issued shares as consideration for acquisitions that take its ownership of the acquired entity above 90%, the fair value of the share consideration over and above the share's nominal value of 1 penny per share is recorded as a credit to the merger reserve rather than the share premium account The opening reserves have been restated in this respect in relation to acquisitions made in 2011, reducing the share premium account and increasing the merger reserve as at 31 December 2011 by £25,825,000

35 Related party transactions

Transactions with related businesses

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

2012

During the year, the Group has 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

The following revenues were earned by the Group in relation to activities between the parties and the Group during the current financial period prior to the entities listed becoming subsidiaries or businesses subsumed within the Group

	£'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 current financial period 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 £7,000 and purchased goods and services totalling £99,000 during the period to Indoor Golf City Limited, a company controlled by R Terry

2011

The following revenues were earned during 2011 prior to the entities listed becoming subsidiaries of the Group

	2011 £'000
LearnED Limited	119
Business Advisory Service Limited	100
Mobile Doctors Limited	250
	469

Notes to the Consolidated Financial Statements

The Group made sales of £605,000 and purchased goods and services totalling £405,000 during the period to Indoor Golf City Limited, a company controlled by R Terry

Transactions with directors

2012
Bickleigh Ridge Limited, a company connected to S Scott, and A Bowers invoiced the Group £192,000 and £17,000 respectively for consultancy services At the end of the year the respective balances owed by the Group in relation to these services were £25,000 and £8,000

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

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

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

2011
In November 2011 the Group acquired the beneficial rights to 52,000 A ordinary shares in Sandbourne Systems Limited (eSellerPro) from R Terry in exchange for £250,000 In November 2011 in order for it to continue its acquisition strategy R Terry loaned the Group £600,000 in the form of an interest bearing loan The loan was repayable over 10 years at an annual interest rate equal to Coutts Base Rate plus 4 5% The loan, including accrued interest of £2,445 and an early settlement fee of £6,000 was repaid in full on 31 December 2011

Compensation of key management personnel

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

	2012	2011
	£'000	£'000
Wages and salaries paid to key management personnel	1,336	615
Social security costs	160	73
	1,496	688

36 *Post balance sheet events*

Since 31 December 2012, the following events have occurred

Issue of ordinary shares

Acquisition	Date of issue (2013)	Issue price (pence)	Number
iSaaS Technology Limited	25 March	11 750	38,057,143
Compass Costs Consultants Limited	2 April	10 375	80,000,000
Abstract Legal Holdings Limited	8 April	13 250	242,100,000
Quindell Property Services Limited	3 May	13 500	65,978,572
			426,135,715

On 18 April 2013 the Group acquired the share capital in Iter8 Inc The terms of the acquisition were satisfied by the immediate payment of £2 5 million in cash, a further payment of cash of £2 5 million in April 2014 and the issue over a three year period of 90,285,713 ordinary shares in three equal annual instalments commencing April 2014

On 24 April 2013 the Group announced the acquisition, subject to FCA approval, of Crusader Assistance Group Holdings Limited Once approved, the terms of the acquisition will be satisfied by the issue of 34,285,714 ordinary shares together with the payment of £1 million cash and two further payments of £1 million after the end of each of the two years ending 31 December 2014

On 3 May 2013 the Group announced the acquisition of Quindell Property Services Limited In addition to the shares shown as issued in the table above, up to a further 190 million shares may be issuable contingent on the property business achieving warranted profits of £2 million for 2013 and £10 million for each of the years to 30 September 2014 and 2015

Issue of warrants

On 3 April 2013 the Group announced that it would issue warrants over 250 million ordinary shares exercisable at 13 pence per share At the date of approval of these financial statements, the warrants had not yet been granted

Company Balance Sheet

Company Balance Sheet

as at 31 December 2012

	Note	2012 £'000	2011 (restated) £'000
Fixed assets			
Tangible assets	38	**1,303**	-
Investments	39	**127,573**	46,405
		128,876	46,405
Current assets			
Debtors	40	**81,562**	3,175
Deferred tax assets		**-**	334
Cash at bank and in hand		**28,495**	2
		110,057	3,511
Creditors amounts falling due within one year	41	**(20,512)**	(408)
Net current assets		**89,545**	3,103
Total assets less current liabilities		**218,421**	49,508
Creditors amounts falling after more than one year	41	**(2,007)**	-
Net assets		**216,414**	49,508
Capital and reserves			
Share capital	42	**36,216**	20,041
Share premium account	43	**102,026**	8,145
Merger reserve	43	**80,320**	25,825
Shares to be issued	43	**-**	106
Equity reserve	43	**54**	54
Retained earnings	43	**(2,202)**	(4,663)
Total shareholders' funds	44	**216,414**	49,508

The financial statements of the Company, registered number 5542221 on pages 67 to 72 were approved by the board of directors on 7 May 2013 and signed on its behalf by

R S Terry
Director

L Moorse
Director

Notes to the Company Financial Statements

37. Accounting Policies

Statement of accounting policies
A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding period, 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

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

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 Residual value is calculated on prices prevailing at the date of acquisition Estimated residual values and useful lives are reviewed annually and adjusted where necessary

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 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 Profit and Loss Account The Group adopted a Black-Scholes model to calculate the fair value of warrants

Related party transactions and cash flow statement
The Company is the ultimate parent undertaking of the Quindell Portfolio 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

38 Tangible assets

	Freehold land and buildings £'000	Total £'000
Cost		
At 1 January 2012	-	-
Additions	**1,303**	**1,303**
At 31 December 2012	**1,303**	**1,303**
Depreciation		
At 1 January 2012	-	-
Charge for the year	-	-
At 31 December 2012	-	-
Net book value		
31 December 2012	**1,303**	**1,303**
31 December 2011	-	-

39 Investments

	Shares in participating interests £'000	Shares in group undertakings £'000	Total £'000
Cost			
At 1 October 2010	1,206	1,666	2,872
Additions	1,238	45,167	46,405
At 1 January 2012	2,444	46,833	49,277
Additions	5,904	75,264	81,168
At 31 December 2012	**8,348**	**122,097**	**130,445**
Impairment			
At 1 October 2010	1,206	1,666	2,872
Charge for the period	-	-	-
At 1 January 2012	1,206	1,666	2,872
Charge for the year	-	-	-
At 31 December 2012	1,206	1,666	**2,872**
Net book value			
31 December 2012	**7,142**	**120,431**	**127,573**
30 December 2011	1,238	45,167	46,405

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
Ai Claims Solutions Plc	UK	Direct
Business Advisory Service Limited	UK	Direct
Intelligent Claims Management Limited	UK	Direct
Maine Finance Limited	UK	Indirect
Metaskil Group Limited	UK	Direct
Mobile Doctors Group Limited	UK	Direct
Overland Limited	Malta	Direct
Quindell Enterprise Technology Solutions Limited	UK	Direct
Quindell Legal Services Limited	UK	Direct
Quindell Limited	UK	Direct
Quintica Group FZ LLC	Dubai	Indirect
Quintica SA (PTY) Limited	South Africa	Indirect
SMI Telecoms Distribution LLC	USA	Indirect

40 Debtors

	2012	2011
	£'000	£'000
Other debtors	31,692	62
Prepayments	21	27
Amounts due from subsidiary undertakings	36,552	3,086
Derivative financial instruments	13,297	-
	81,562	3,175

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

41 Creditors

	2012	2011
	£'000	£'000
Amounts falling due within one year		
Trade payables	526	198
Amounts owed to group undertakings	17,309	-
Other creditors	1,325	-
Accruals	1,352	210
	20,512	408
Amounts falling due in more than one year		
Other creditors	2,000	-
Deferred tax liability	7	-
	2,007	-

Notes to the Company Financial Statements

42 Called up share capital

	2012		2011	
		Nominal		Nominal
	Number	**Value**	Number	Value
	'000	**£'000**	'000	£'000
Issued and fully paid				
At the start of the period	**2,004,114**	**20,041**	108,175	1,082
Issued during the year	**1,617,488**	**16,175**	1,895,939	18,959
At the end of the period	**3,621,602**	**36,216**	2,004,114	20,041

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 £nil (2011 £100,000) related to equity-settled share-based payment transactions

43 Reserves

	Share premium account	Merger Reserve	Shares to be issued	Equity reserve	Profit and loss account
	£'000	£'000	£'000	£'000	£'000
1 January 2012 (restated)	8,145	25,825	106	54	(4,663)
On issue of shares	98,878	54,495	(106)	-	-
Expenses of issue of equity shares	(4,997)	-	-	-	-
Gain on sale of treasury shares	-	-	-	-	3,231
Retained loss for the year	-	-	-	-	(770)
At 31 December 2012	**102,026**	**80,320**	**-**	**54**	**(2,202)**

44 Reconciliation of movement in shareholders' funds

	2012	2011
	£'000	£'000
Loss for the financial year	**(770)**	(884)
Gain on sale of treasury shares	**3,231**	-
Share capital issued	**164,551**	48,968
Shares to be issued	**(106)**	106
Share based payments	**-**	695
Net change in shareholders' funds	**166,906**	48,885
Opening shareholders' funds	**49,508**	623
Closing shareholders' funds	**216,414**	49,508

45 Ultimate controlling party

There are no shareholders with overall control of the Company as at 31 December 2012 or 31 December 2011

Notes to the Company Financial Statements

46 *Contingent liabilities*

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

Name of subsidiary

Business Advisory Service Limited
Enzyme International Limited
Intelligent Claims Management Limited
Metaskil Group Limited
Metaskil Limited
Open Square Limited
Overland Associates Limited
Physiotherapy Rehabilitation Services Limited
Quindell Brand Extension Services Limited
Quindell Champion and Challenger Methods Limited
Quindell Enterprise Solutions Limited
Quindell Motor Services Limited
Quindell Solutions Limited
Quintica Holdings Limited
Simon Hall Associates Limited
SMI Telecoms Distribution Limited
SWB Consulting Limited
UK Sun Limited
Utility Supplier Services Limited
Utility Switch Limited

47 *Related party transactions*

Exemption has been taken under FRS 8 from disclosing related party transactions between the Company and its subsidiary undertakings

The directors of Quindell Portfolio Plc had no material transactions with the Company during the year, other than disclosed in the Directors' Remuneration Report on pages 18 to 19 or as described in note 35 to the Group Financial Statements

OFFICERS AND PROFESSIONAL ADVISORS

Directors

Mr R S Terry
Mr L Moorse
Mr S Scott
Mr J Cale
Mr A Bowers
Mr R Burrow

Secretary

Mr E Walker

Registered Office

Quindell Court
1 Barnes Wallis Road, Segensworth East
Fareham, Hampshire, PO15 5UA
Company Registration No 5542221

Bankers

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

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

Yorkshire Bank
The Chancery, First Floor
58 Spring Gardens
Manchester M2 1YB

Nominated Advisor and Broker

Cenkos Securities Plc
6,7,8 Tokenhouse Yard
London, EC2R 7AS

Auditors

RSM Tenon Audit Limited
Vantage, Victoria Street
Basingstoke, Hampshire
RG21 3BT

Solicitors

Dorsey & Whitney
21 Wilson Street,
London, EC2M 2TD

Blake Lapthorne
Watchmaker Court, 33 St John's Lane,
London EC1M 4DB

THREE YEAR SUMMARY

	2012 £'000	2011 £'000	2010 £'000
Group Income Statement			
Gross sales attributable to the whole Group	**171,919**	13,707	154
Revenue	**137,558**	13,707	154
Adjusted EBITDA	**52,236**	6,690	(81)
Adjusted profit before tax	**49,155**	6,343	(99)
Profit before tax	**41,241**	4,065	(99)
Basic EPS	**1.171p**	0 472p	(0 092)p
Adjusted EPS	**1 402p**	0 730p	(0 092)p
Group Balance Sheet			
Non-current assets	**157,007**	60,516	600
Current assets	**249,730**	35,707	646
	406,737	96,223	1,246
Liabilities	**(153,004)**	(41,748)	(698)
	253,733	54,475	548
Equity attributable to equity holders of the parent	**253,458**	54,478	548
Non-controlling interests	**275**	(3)	-
	253,733	54,475	548
Group Cash Flow			
Operating cash flow (pre exceptional costs, tax and net finance)	**38,798**	5,528	(11)
Cash at end of period	**47,230**	3,711	640
Net funds/(debt)	**16,557**	(13,361)	(21)