Watchstone.

Watchstone Group plc

Annual Report and Financial Statements for the year ended 31 December 2015

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Key Summary

Financial:

- Underlying* business revenues steady at £58.3m (2014: £56.5m)
- Underlying EBITDA loss of £16.1m (2014: loss of £16.8m)
- Disposal of the Professional Services Division generated a profit of £494.3m
- Impairment of goodwill and other intangible and non-cash assets – total charge of £113.5m (2014: £129.1m)
- Total profit after tax £274.9m (2014: loss of £374.5m)
- Group net assets (excluding contingent liabilities) of £137.1m representing approximately 297 pence per share following capital return of £411.9m
- Group cash at 31 December 2015 of £103.2m including £97.6m in the Company

* Underlying includes Hubio, Ingenie, ptHealth, BAS, Maine Finance and Central

Operational:

- Disposal of the Professional Services Division for £645m plus deferred contingent consideration completed in May 2015
- Court approved capital return of 90 pence per ordinary share completed in December 2015
- New Group CEO and Board in place which has brought stability and started to rebuild investor confidence
- Substantial work completed and on-going to simplify the Group, reduce the Group's losses and build the platform to deliver the best possible shareholder value from all the Group's operational and other assets
- Clear strategy and plan for all Group businesses – energetically pursuing opportunities and robustly dealing with challenges

Chairman's Report

The story of Watchstone through 2015 was one of challenge and change. Today, however, we can look back on the period as one in which decisive action brought stabilisation, through which we have started to rebuild investor confidence.

Watchstone began 2015 with operational and reputational issues and a challenged financial position, all due to our historic legacy. The team has worked tirelessly to deliver a series of achievements including the transformational sale of the Professional Services Division ("PSD") to Slater and Gordon Limited ("S&G") for £645m plus contingent consideration and the execution of a Court approved, return of capital. In addition, the Board and corporate governance of the Company was overhauled and the Group refocused strategically, while the extent of the issues we were dealing with was laid bare with the publication of an extraordinarily complex set of accounts for the period ended 31 December 2014.

The Board is pleased with the significant progress made in consigning historical issues to the past and with the fact that we are well advanced in creating a solid base for the future. In November 2015, the Group was rebranded to Watchstone Group plc and this has helped reposition the Group as the smaller, more focused Group it now is, with a clear strategy going forward.

Board and management team

In the year, we appointed a new Board. Indro Mukerjee, became Group Chief Executive Officer in September 2015. He is supported by Mark Williams, our Group Finance Director, appointed in May 2015 and Stefan Borson, Group General Counsel & Company Secretary. Together they have made a substantial impact re-shaping and repositioning the Group. We have been open as to the scale of the challenges we face as well as the opportunities ahead if we can succeed in our chosen markets.

In addition to my appointment as Non-executive Chairman, we introduced a number of other Non-executive Directors to the Company and constituted four new Committees (Audit, Disclosure, Remuneration and Nomination). The Board now has the right level of seniority, skills, independence and governance to ensure the highest level of oversight.

Corporate activity

In addition to the transformational PSD disposal, in November 2015, we completed the acquisition of the remaining shares that we did not own in the leading Canadian physiotherapy business, PT Healthcare Solutions Corp ("ptHealth"). We also carried out a number of small disposals including our holdings in Nationwide Accident Repair Solutions plc ("NARS") and the 360GlobalNet Group ("360"). These decisions were taken with a view to simplifying and focusing the Group on delivering shareholder value. We have continued into 2016 with this strategy by exiting our property services interests and selling Quintica Holdings Limited ("Quintica"), both of which were loss making. As we have made clear, further disposals will occur over time if we think this is the right path to take to create shareholder value.

Restoring confidence

I am pleased to say that our decisive action through 2015 has brought some stability back to the Group. We have much work to do, but we have started to rebuild the confidence of investors, customers and suppliers, regulators and colleagues alike. The year prior to the disposal of the PSD was a difficult period for the Group and the businesses suffered both from management challenges and financial issues. Inevitably, the Group focused its efforts on ensuring its continued viability and only following receipt of the proceeds of the PSD disposal could the re-building task begin in earnest. A great deal has been done in a relatively short space of time to turn the tide, and the Board is confident in the Company's future and the potential of our businesses.

On 5 August 2015, following the publication of our results for the year ended 31 December 2014, the Financial Reporting Council ("FRC") closed its enquiry into the Group's historic financial reports specifically commenting that this was in light of the positive actions taken by the Directors in correcting the identified errors and amending accounting policies.

On the same day, the Serious Fraud Office ("SFO") informed the Company that it had opened an investigation relating to previous management's past business and accounting practices at the Company. Shortly after this the Financial Conduct Authority announced that, in light of the investigation by the SFO, it had decided to discontinue its own investigation with immediate effect. The SFO investigation is on-going and we continue to co-operate fully with it and it is now the only regulatory enquiry to which the Company is subject.

Cash and return of capital

In December 2015, the Company completed an unprecedented Court approved, return of capital totalling £411.9m. As at 20 May 2016, the Group has cash of approximately £93.1m including cash in the Company of £86.9m with a further £50.0m in escrow, and no material debt. We are confident that the £50.0m currently reserved in a joint escrow account for any warranty claims will be released in November 2016. No claims have been received from S&G at this stage. As detailed at the time of the December 2015 return of capital, we will look to make a further return of capital of approximately £1 per share if, as anticipated, the further escrow monies are released at the end of November 2016.

It is likely that such return of capital will require both the approval of shareholders and Court approval for a further capital reduction. As previously required, the Board will need to ensure the interests of creditors are adequately safeguarded (including in respect of any contingent liabilities). An appropriate amount will also be held in reserve for developing and growing our businesses.

We remain hopeful of receiving, in time, substantial contingent consideration in respect of the disposal of the PSD and we remain in close contact with S&G in respect of this matter.

Conclusions

I would like to take this opportunity to thank all of our colleagues who worked under very stressful and trying circumstances in the first half of 2015 yet remained focused on delivering for our customers. I would also like to thank our investors who have maintained support for the Company and been patient as the intense work to deliver the best possible value from our assets has continued. The Board is confident that we will go on to reward that support.

A vast amount of work has been carried out but, as always, there remains much to be done. We have some exciting opportunities to create value in our remaining businesses and we are committed to deploy resources and energy to maximise such potential.

Richard Rose
Non-executive Chairman
27 May 2016

Group Chief Executive's Update

"Building the future, managing the past"

As I approach the start of my fourth quarter with the Group, I would like to take this opportunity to share some thoughts and plans.

I feel that we already have a very different company today from when I started and, while we continue with determination to manage issues of the past, we are working with clarity and focus to build the best value possible from our operating companies.

Watchstone Group plc has been developed to be a company focused on managing the Group's operating, contingent and cash assets in order to achieve the maximum value possible, whilst always ensuring good governance. As Group CEO, this has involved my working both closely with, and very much in our operating businesses.

Our results for the year ended 31 December 2015 give an idea of my starting point with the Group. From the start, it was clear to me that the Group was a diverse collection of businesses spanning a number of sectors – some being quite sub scale and all needing work to improve strategic positioning and operational execution.

Our focus has been on the simultaneous aims of reducing the Group's unsustainable losses whilst creating a platform to achieve the best possible value and performance from our operating businesses. It has been apparent that these twin aims are closely linked. In some areas, we have reduced losses by ceasing activities that have no positive future and, in others, by reshaping those businesses where we see long term potential value so that they are leaner, more focused and more efficient.

The work to reduce costs and losses continues and has been determined and successful to date. So far, approximately £7.6m of annualised losses have been eliminated. This work continues and by the end of 2016, the total is expected to be in excess of £13.5m. Critically, our teams have ensured that work for our customers has not been negatively impacted by these changes.

Business review

Taking each of our businesses in turn:

1. Healthcare Services – ptHealth

ptHealth is the largest and longest established of our businesses and operates the third largest physiotherapy and rehabilitation clinic network in Canada treating over 5,000 patients a day. ptHealth's unaudited revenue performance of £6.6m in Q1 2016 was (excluding exchange rate fluctuations) up 4.4% vs. Q1 2015 which is encouraging given this was achieved with fewer corporate owned clinics. I detail this further below.

ptHealth has potential to be of real value to the Group with its strong fundamentals, the opportunities for expansion afforded by the fragmented nature of the Canadian clinic market and the fact that the North American healthcare space is one which is attracting interest from investors and buyers in the public and private markets.

ptHealth has established a presence in the Canadian market via its 83 owned clinics (where we employ the people) and further generates income from providing services to some 153 independent network clinics. This latter activity is enabled by ptHealth's managed services offering which includes our proprietary clinic management software as well as digital marketing for lead generation and other services.

In order to fully exploit the shareholder value possibilities in this business, ptHealth, which is now cash generative, was recently divided into two focused activities, each with its own clear strategy:

Owned clinic business – immediate and determined operational improvement work

ptHealth's owned clinic business is being taken from loss making to profitability during 2016. This is being done by improving or exiting from the previously loss making clinics. Where possible, loss making clinics are being sold with a service contract element to allow us to assist and share in operational improvement made following their sale. Since the start of 2016, 11 owned clinics have been disposed of and 10 clinics have been taken from loss making to profitable.

In all our work at ptHealth, we are ensuring that in operating the business in line with our commitment to improve shareholder value we stay true to the core health service principles of ensuring patient care, dignity and ethics. In order to do this, I have spent significant time with management to understand what makes the business tick and the "soul" of its excellent connection with Canadians as a respected care provider, including first class relationships with important patient and regulatory bodies. For example, it is a measure of these relationships that one of our colleagues is the current President of the Ontario College of Physiotherapists and we are active contributors to standards bodies.

Underpinning the work to improve the business results has been the implementation of a full performance tracking information suite which looks at all aspects of treatments provided, return on investment throughout and enables the optimisation of capacity planning and utilisation. Key improvements noted include average revenue per clinic, which improved by 12% comparing Q1 2016 to Q1 2015. In addition, assessment and treatment numbers have increased by 11% and 7% respectively during the same period.

ptHealth has the potential to scale profitably through improved utilisation of clinic capacity by:

- broadening its range of services to patients to include sales of medical devices and appliances;
- providing other types of treatments; and
- procuring contracts from insurance companies for volume-related road traffic and other rehabilitation work.

This strategy is starting to bear fruit and we are currently implementing two additional insurance contracts which are expected to provide a minimum of 200 new assessments per month which could generate an additional 2,000 treatments every month.

Clinic management services – InnoCare

InnoCare was successfully launched as an innovative spin out from ptHealth in April 2016, with the objective of creating a company to supply SaaS, cloud-based clinic management software as well as business process outsourcing products to the North American healthcare market. Our initial focus is on the Canadian physiotherapy and rehabilitation clinics (approximately 9,000 independent clinics) but our products could then be expanded to other types of clinic (opticians, doctors) as well as expanded into the US.

The foundation of this business is our proven clinic management technology which already powers 236 clinics across Canada and InnoCare will be developed as a technology led, B2B business. InnoCare is already showing positive business development indicators in terms of leads generated and its first new customers since launch. Indeed, since launch, there have been over 10,000 unique visits to InnoCare's website generating over 500 credible inbound leads for InnoCare software despite limited marketing activity to date.

2. Hubio

Hubio was launched in January 2016 bringing together three quite disparate insurance technology companies into one in order to most efficiently deal with the challenges in and opportunities for these companies and to create the optimal way to go forward. Hubio's unaudited Q1 2016 revenue was £4.3m which is 4.4% above Q1 2015.

I decided to be the 'founding CEO' in order to deeply immerse myself into what we have, what we were trying to do and the markets, customers and competitors. My objective was to fully understand our businesses in this space and to develop a strategy to optimise the use of our cash resources.

Working with Hubio's businesses and in the external market with customers, prospects and influencers, I could see that our businesses generally had poor market connections, certainly through 2015, partly attributable to past reputational issues within the insurance sector and partly due to financial constraints caused by the working capital intensive, growth of the professional services division prior to its disposal.

As a consequence of these challenges in 2014 and 2015, the sales and commercial pipeline was very weak across all of Hubio's product lines. Existing telematics engagements in North America have not developed as planned and, across Hubio generally, the resource base had become one more suited to a much larger scale business, with the need to improve processes and efficiencies across businesses which had not been integrated. It has therefore been necessary to make the impairments to carried forward goodwill in the businesses that comprise Hubio and these changes are reflected in these results.

The number of active devices as at end of April 2016 was 38,631 which, although 77% more than at the same point last year, is not where it should be. These numbers are reflective of the challenges both in Hubio and in the wider insurance telematics market.

Nevertheless, it is also clear to me that we do have a number of relevant and well-engineered technology capabilities which have potential. These include a highly scalable and versatile telematics tracking platform in terms of gateway and data analytics on our servers, advanced algorithms for scoring and rating and an award-winning policy and claims enterprise suite. I believe that these and other Hubio technologies have the potential to create shareholder value but the way the business is run and the scale of continued investment must and will be bounded by reality.

Group Chief Executive's Update (continued)

We have therefore started on a program to make Hubio much more streamlined, focused and agile by taking the following actions:

Sharpening Hubio's value proposition and target markets

- **Fleet** – this is the most established telematics sector with a clearly growing market and real demand in many countries. We are launching HubioFleet which will combine our already developed telematics tracking platform with our relatively small, RoadAngel fleet business. We have approximately 10,000 devices across 750 customers in the market and the plan is to grow this installed base with a new, improved proposition rolling out by the end of Q3. The fleet market is proven and has a number of well-established players so execution will be critical but we are confident in our plan with the intention to price our differentiated technologies competitively, mainly targeting small to medium sized fleets of 5-100 vehicles initially in the UK and then we will plan to move to other markets. We have some capable people involved here and believe there is strong return on investment potential in this market;
- **Usage based insurance (UBI)** – this remains a niche market but we believe that, in line with market analyst research, it will grow in scale from low single digit penetration in some countries to over 10% by the start of the next decade. This has been the area of greatest unfulfilled hope for Hubio to date and, having studied the market, the area with the lowest return on investment for other service providers. Hubio will now strictly focus on engagements with highly qualified opportunities where we can leverage our insight and analytics capabilities, in particular young driver programs. We do not need to develop any fundamental new technology in this area, will better filter our target engagements and will act accordingly when we find real potential from existing and new customers;
- **Automotive** – there are opportunities to help dealerships, motoring organisations and warranty companies connect directly with their consumers' cars. Hubio can offer relevant technologies to enable this. As with UBI, our sales focus will be on opportunity qualification and on efficiently deploying resources. What we know from the engagements we have developed over the last few months is that there are some really interesting possibilities, with our technologies being well suited to this area. We need to and will act smartly in this vertical because the historic speed of market development has been slower than the industry originally expected; and
- **Enterprise and professional** – Hubio's enterprise software for insurance policy and claims management is recognised in the industry and has a number of customer engagements but also the potential to be sold more widely. This UK focused business certainly wasn't helped by some of the reputational issues during 2014 and 2015 and, by its nature, its target projects have long sales cycles. This business and its resources will now be clearly focused on projects with mid/small tier insurance players where our technology enables fast implementation, including SaaS capability and out-compete alternatives on price and speed. Hubio's broker portal and reporting tools are well established with a presence in the Canadian market. There are some interesting opportunities in this market as shown by our recent successful 'farming portal' launch. We have good technology in enterprise software and insurance portals and have a clear plan on how to develop business efficiently and effectively.

Operating Hubio smartly with financial prudence

Whilst there are opportunities for Hubio's technologies, we need to and will ensure that these are pursued smartly with financial prudence. This will be achieved by the continued process of reshaping the organisation to have a smaller, more agile footprint with market engagement more efficiently focused.

This process is well advanced and has been informed by what we have found in the market. Cash investment in Hubio will reduce from in excess of £11.0m in 2015 to less than £5.0m per annum on an annualised basis from September 2016 with a target to make the business self-financing during 2017.

3. ingenie

ingenie is a leading telematics based insurance broker and one of the original pathfinders in the industry. ingenie has established a position in the market through a successful focus on, and development of, a proposition for young drivers. Its business model is to generate fees and commissions from its panel of underwriters on new and renewal insurance policies. ingenie's unaudited revenue for Q1 2016 was £3.5m which is 34% above Q1 2015 and reflective of the good momentum detailed below.

The essential elements of ingenie are its relationship with its customers through smart communications and services (on average its customers review driver feedback 14 times a month); its relationship with leading insurance underwriters, for whom it plays an important part of their respective telematics strategies; and its access

to differentiated technology and know-how, the foundation of which is a set of over 200 advanced data analytics algorithms for determining driver behaviour and adding value to both drivers and insurers (see below for our plans for our technology).

Over the last couple of years, the market has grown with the addition of new entrants, including a number of the large direct insurance players. This certainly created pressure on retention rates during 2015.

Our activities over the last couple of quarters have been to focus on the fundamentals of the business with the following actions:

Energising customer connections and improving partnerships with underwriters

ingenie's business model is proven and scalable and so the decision was taken around the end of last year to energise the brand, way of working and to improve market outreach. With greater focus on marketing, including smart social media and radio campaigns, strongly improved results from aggregator sales together with new policies sold via the Vauxhall affinity scheme, results have increased significantly over last year as the table below highlights:

Metric	2014	2015	% change	Q1 2015	Q1 2016	% change
Gross written premium ("GWP")	£55.2m	£65.6m	+18%	£16.8m	£20.7m	+23%
Policies written	30,727	33,757	+10%	8,985	10,706	+19%
Policies in force (at period end)	31,294	36,963	+18%	34,515	39,700	+15%

ingenie has built strong relationships with a panel of leading underwriters, which consists of Ageas, RSA, Covea and LV. These are important and reciprocal relationships with ingenie gaining customers and market access and the underwriters benefiting from ingenie's technology which has enabled a strong connection between driving scores and claims frequency and severity. Rebroking (our ability to switch a customer's underwriter at renewal to enable them to receive the most competitive rate) was introduced at the end of last year and this has shown a marked increase in retention rates.

Making our core technology a repeatable, white label B2B sales proposition

ingenie's customer proposition and the service it provides to its panel of underwriters are both enabled by the Group's technology which includes the ability to host data, process journey information, perform advanced server side analytics and driver scoring algorithms based on over 600 million driving miles of data.

This technology has been used to create a white label proposition which can be licensed to multiple third party brands/insurers who wish to create their own young driver telematics based offering. Following targeted marketing our first external customer are expected to be announced in the second half of this year.

4. Other

a. Business Advisory Service ("BAS")

BAS is an energy brokerage which provides added value energy procurement and consultancy services and receives commissions from a panel of suppliers. We are a relatively small player in a significant and growing market, which will likely undergo further consolidation.

The focus of our work in this business has been to enable rapid operational improvements and to position it for growth and the best way to be able to realise value for shareholders.

BAS is being developed to be profitable during this year and is well placed for growth, with unaudited revenues for Q1 2016 of £0.8m, an increase of 21% on the same period in 2015 and the business is now cash generative. BAS is now better placed strategically with the addition of an Industrial & Corporate Group to access larger, corporate customers as well as its existing SME target market. In addition, it has also launched its Openview platform which enables e-auction pricing for large customer bids.

In line with the strategy to develop larger corporate customers, BAS has been working on its first public sector customer, with whom we are aiming to enter into a contract in the coming months. BAS is being operated to grow its business profitably, gain share in the market and we are confident about the prospects for this business.

Group Chief Executive's Update (continued)

b. Maine Finance and quotesupermarket.com

Maine Finance distributes a range of financial services products, including life insurance and pensions, through the quotesupermarket.com site. The combined unaudited Q1 2016 revenue for Maine Finance and QSM was £0.4m (Q1 2015: £0.5m). In order to move to profitability, we took the decision to exit the consumer life insurance market and to focus instead on distribution to the SME market. Additionally, we have ideas to use the quotesupermarket.com site for other activities across the Group and beyond.

Conclusions

Even taking the legacy, non-operational matters to one side, the Group I joined in September 2015 was disproportionately complex and needed operational improvement. At the same time, I have found a number of good examples of advanced technology capabilities; capable people; and healthy market positions across our operating companies.

We are determined to build and manage our businesses to be the best they can in their respective markets. This will be achieved on a foundation of greater simplicity and efficiency as we continue to reduce our operational costs and execute our strategy.

In cases where we consider the best way to deliver shareholder value would be to find alternative owners for a particular business, we will do so with a clear view of value in mind. Should such expectation not be met, we will determinedly continue with our ownership and develop businesses within our principles of strong governance, careful cash management and prudent investment.

I believe we have made strong progress towards our key objectives in the last three quarters and there is demonstrable momentum in our ptHealth/InnoCare, ingenie and BAS businesses with a strong determination to continue to set Hubio and Maine Finance/QSM on paths to maximise their potential.

I thank our staff for their continued hard work and our shareholders for their support.

Indro Mukerjee
Group Chief Executive Officer
27 May 2016

Strategic Report

1. Business Review

1.1 About Watchstone

Watchstone Group plc is a company focused on managing the Group's operating, contingent and cash assets in order to achieve the maximum value possible, whilst always ensuring good governance.

The Group's businesses offer leading technology solutions and other services primarily to the insurance, automotive and healthcare industries. While we have a diverse portfolio, our operating businesses are unified by a set of shared commercial principles:

- We seek to anticipate change and we have the agility to exploit the dynamism of customer behaviour;
- We invest in the people and technologies that will drive innovation and success in our markets;
- We promote in-depth sector knowledge and experience as the starting point of value creation; and
- We strive for efficiency across our businesses through the optimal allocation of resources and good governance.

The individual businesses and segments in which they operate are set out below:

- Hubio was created as a combination of Himex, our UK based insurance policy and claims technology business, QETS and our Canadian software and services division, QSI. It provides integrated solutions to help organisations in the insurance and automotive sectors increase efficiency, reduce claims, build customer engagement and enable usage-based personalisation.
- Healthcare
  - ptHealth is a national healthcare company that owns and operates physical rehabilitation clinics across Canada. From large cities to small communities, ptHealth takes pride in delivering quality services in a compassionate and patient-centered atmosphere that is focused on providing recovery solutions for its patients.
  - InnoCare is a proprietary clinic management software platform and call centre and customer service operation based in Canada. InnoCare was a spin out from ptHealth and uses its established industry expertise to enable clinic owners to transform their patient's experience and operate more efficient and productive practices in the growing North American healthcare market.
- ingenie is an insurance broker focused on helping young drivers get on the road safely and affordably. Using telematics technology, ingenie gives its community feedback, advice and discounts to help them improve their driving skills and stay safe. ingenie was recently named Telematics Champion of the Year by the Insurance Times.
- Other
  - BAS is one of the UK's leading energy brokerages providing a range of energy services to UK companies – including procurement, energy audit, monitoring and targeting and data sampling.
  - Maine Finance is a life insurance broker, selling life, critical illness and income protection insurance policies direct to customers and businesses throughout the UK. Maine Finance specialises in offering real-time pricing to customers from some of the largest insurance brands in the UK. Maine Finance works with our comparison site quotesupermarket.com which seeks to help people save money and to find the best quotes from a wide range of high quality insurance providers.

1.2 Overview of 2015

Having started the year under considerable external scrutiny both in relation to corporate governance, financial reporting and cash management, the Group ends it with improved standards of governance, secure financial health and a clearer focus on our technology businesses with opportunities for growth.

In December 2014, the Group entered into discussions with S&G, which were to culminate in the disposal of the PSD in May 2015. The disposal of the PSD allowed the Group to satisfy its external debt and to return the majority of the proceeds to shareholders whilst retaining adequate resources for the remaining Group.

Strategic Report (continued)

In August 2015, the Group published its results for the year ended 31 December 2014 ("2014 Report and Accounts"), which concluded a process of thorough examination and investigation into its previous accounting policies and practices with a focus on its historic transactions. The 2014 Report and Accounts included a major restatement of accounting policies in connection with the recognition of revenues and also prior year adjustments arising largely as a result of the identification of additional information, not previously made available to the Auditors, indicating a number of omissions and misstatements in the financial statements of one or more prior periods. A review by the FRC, concluded satisfactorily with the publication of the 2014 Report and Accounts.

In line with its stated intention on the disposal of the PSD, the Company successfully paid to shareholders the majority of the proceeds received via a Court approved, return of capital. This process followed extensive work with its businesses, legal and financial advisers. Court approval for the capital reduction was obtained on 18 December 2015 and an overall return of £412m was paid in December 2015.

On 7 September 2015, the Group successfully recruited a new Group Chief Executive Officer, Indro Mukerjee, following a process which commenced once the disposal of the PSD had been finalised. This has resulted in a sharpening of strategic effort into those businesses the Group retains which have the potential for profitable growth and value enrichment for our shareholders.

Our focus has been on the simultaneous aims of reducing the Group's unsustainable losses whilst creating a platform to achieve the best possible value and performance from our operating businesses. We have reorganised those businesses where we see long term potential value so that they are leaner, more focused and more efficient and the one off costs of this reorganisation will be recognised in both the 2015 and 2016 financial years.

As described in the Group Chief Executive's Report, historic and existing telematics engagements in North America have not developed as planned and, across Hubio generally, the resource base had become one more suited to a much larger scale business, with the need to improve processes and efficiencies across businesses which had not been integrated. Generally, Hubio's businesses had poor market connections through 2015, partly attributable to past reputational issues within the insurance sector and partly due to financial constraints caused by the working capital intensive, growth of the PSD prior to its disposal. As a consequence of these challenges in 2014 and 2015, the sales and commercial pipeline was weak across all of Hubio's product lines.

Hubio does have a number of relevant and well engineered technology capabilities which have potential. These include a highly scalable and versatile telematics tracking platform in terms of gateway and data analytics on our servers, advanced algorithms for scoring and rating and an award-winning policy and claims enterprise suite. Whilst there are opportunities for Hubio's technologies, the Group will need to ensure that these are pursued with financial prudence. This will be achieved by the continued process of reshaping the organisation to have a smaller, more agile footprint with market engagement more efficiently focused.

In ingenie, a combination of management change and increased competition from the addition of new entrants, including a number of the large direct insurance players created pressure on retention rates during 2015.

ingenie continues to benefit from its close relationship with customers and its leading insurance underwriters, for whom it plays an important part of their respective telematics strategies. In addition, ingenie has access to differentiated technology and know-how, the foundation of which is a set of over 200 advanced data analytics algorithms for determining driver behaviour and adding value to both drivers and insurers.

In light of these challenges and factors, the new Board and management teams have assessed the operating models and adopted more cautious future revenue projections in both Hubio and ingenie which has resulted in material impairments to the carrying values of associated non-cash assets, being goodwill and other intangibles as well as stocks of inventory in both businesses.

Since the year end, consistent with this strategic direction, the management team has been continued with the identification and elimination of excess costs. Businesses that were considered a drain on the resources of the Group and that were felt unlikely to contribute materially to the growth of the Group's value have been disposed of. Specifically, the Group has:

- Exited the property services business sector, including the sale of that part of the business, B E Insulated (UK) Limited ("BEI") and Carbon Reduction Company (UK) Limited ("CRC"). Property services, which was already a challenged business, suffered a strategic blow when the Government removed the domestic subsidy for solar insulation. The cost reductions and subsequent sale removed ongoing losses of approximately £2m from the Group; and

- Sold Quintica, which is a reseller and integrator of software to the telecoms industry. This business had suffered approximately £2m losses per annum for the last two years.

1.3 Overview of Financial Statements

The Financial Statements are presented on pages 34 to 132.

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

- **Disposal of the PSD in May 2015** and its results for the period thereto have been classified as discontinued. As at 31 December 2014, the balance sheet reflected the PSD as an asset held for sale of £304m, and liabilities held for sale of £183m, a net amount of £121m. The closing balance sheet of 2015 reflects the disposal related assets, including escrow and cash balances and associated provisions but no material debt, that having been discharged on disposal.
- **Return of capital.** The Court approved process to reduce the capital of the Company by £414m in order to return the majority of the disposal proceeds from the disposal of the PSD concluded in December 2015, with £412m paid back to shareholders. At the same time, the Company carried out a share consolidation on a 1:10 basis as approved by shareholders to achieve a less volatile share price. The disposal of PSD, capital reduction, return of capital and associated reserves movements has resulted in negative distributable reserves as at 31 December 2015 of £15.5m.
- **Creation of Hubio, review and reassessment of carrying value of non-cash assets.**
- **Classification as discontinued businesses** of property services (including BEI and CRC) and Quintica and treated as assets/liabilities held for sale as at 31 December 2015.

Auditors' Opinion on the Financial Statements

We are pleased to confirm that the Auditors have issued a clean opinion on the Income Statement for the year ended 31 December 2015 and Balance Sheet of both the Company and Group as at 31 December 2014 and for 2015. The issues that were discussed in detail in the 2014 Financial Statements are now only relevant to the closing position as at 31 December 2013 and, therefore, solely impact the comparatives for the Income Statement. This is a testament to the thoroughness with which the Group approached the preparation of the 2014 Financial Statements.

Financial Reporting Council

Upon publication of the 2014 Financial Statements, the FRC confirmed that its review of the 2011 and 2012 report and accounts was to be closed. The FRC commented on the positive actions taken by the Directors in correcting the identified historic errors and amending accounting policies. The Directors undertook to the FRC to notify shareholders of any further material adjustments to historic numbers which might result from additional information or which might impact the Group's reported results and to make such corrections as may be necessary. There is no adjustment to the reported results or net assets, however there is one historic transaction that requires restatement and this is solely in respect of an £11.3m correction to certain reserve balances, as explained in note 5 to the Financial Statements.

1.4 Acquisitions and Investments

During the year, the Group completed the acquisitions of the remaining 50% of BEI and CRC and the remaining shares of ptHealth that it did not own. In addition, the Group also acquired the business, trade and assets of Clinic Server, a mission critical system to ptHealth and what has become the basis of our newly launched InnoCare business.

1.4.1 Property Services

On 4 March 2015, the Group acquired the remaining 50% of BEI that it did not own, and the entire share capital of CRC. The acquisition concluded the creation of the Property Services Division, part of the strategy of the previous Board. The acquisition was for a consideration of £3.3m settled by the issue of 3.7m ordinary shares (pre consolidation) and resulted in goodwill arising of £4.3m. The Property Services Division failed to meet expectations and, specifically, the business model is subject to the political decisions of Government in setting energy and associated subsidies and tariffs. Significant reductions in subsidies were made in the Budget in May 2015. As a result, an impairment of the goodwill of £4.3m was recognised. After the year end, in January 2016, BEI was disposed of for no gain or loss. The overall Property Services Division has delivered losses of £5.0m, plus additional closure costs of £0.2m in 2015.

1.4.2 Remaining shares in PT Healthcare Solutions Corp

Having already owned 49.9% of ptHealth, the Group completed the acquisition of the remaining 50.1% on 4 November 2015. Consideration was 9.4m ordinary shares (pre consolidation) at a value of £19.7m.

Strategic Report (continued)

The Group had already consolidated ptHealth since September 2013, as the Directors had considered that the Group controlled ptHealth by virtue of the put and call options that existed regarding the acquisition of the remaining shares in ptHealth, and by virtue of the funding that the Group had provided to ptHealth since it took its initial 26% investment in September 2013.

1.4.3 Clinic Server business

On 31 July 2015, the Group purchased the business, trade and assets of Clinic Server, thus securing for itself ptHealth's mission critical operational system, which now forms the heart of the newly launched InnoCare business. Consideration was settled in cash at £1.2m and goodwill has arisen of £0.5m.

1.5 Disposals

During the year, the Group executed a strategy of releasing value from the disposal of the PSD combined with further disinvestments of assets not wholly controlled and, therefore, not capable of providing complementary technology services.

1.5.1 Professional Services Division

The disposal of the PSD completed on 29 May 2015, resulting in a profit on disposal arising as follows:

Business	Group £m
Consideration	
Cash received	583.1
Cash held in escrow	53.8
Other consideration	8.1
Total consideration	645.0
Net assets at 31 December 2014	120.8
Five months trading	(18.2)
Debt repaid	31.9
Other adjustments	(2.2)
Net assets at disposal	132.3
Costs of sale	12.2
Other costs and adjustments	6.2
Total costs of sale and other adjustments	18.4
Profit on disposal	494.3

The sale and purchase agreement relating to the PSD included provision for an adjustment to consideration based on a completion accounts mechanism. The amount of any adjustment was expected to fall within the range of +/−£10.0m and an amount of £5.0m was held in joint escrow, pending the finalisation of this adjustment. In May 2016, this amount was finalised and £3.8m was released from escrow to the Group.

The remainder of the balance of cash in escrow of £50.0m is held in a joint escrow account as security against any potential warranty claims ("Warranty Escrow"). The period for warranty claims extends for 18 months from completion (i.e. to 29 November 2016) (7 years for tax claims) and warranty claims are subject to a de-minimus of £200,000 for each item (£100,000 in the case of tax claims) with an aggregate basket of £2.5m before any claim can be made under the warranties.

The limit of total liability in respect of warranty claims is £100.0m. Warranties are qualified by extensive disclosure given during the due diligence and negotiation process. No warranties were given by the Group in respect of historic accounting policies. Subject to any claims, the Warranty Escrow will be released at the end of November 2016.

To date there have been no warranty claims made by S&G, either formally or putative. The Group remains confident it will receive a release of the £50.0m currently held in escrow and has recognised its value in full as a non-cash current asset.

The disposal of the PSD contained an element of contingent consideration in relation to future receipts arising on Noise Induced Hearing Loss ("NIHL") cases which were current at completion. Given the inherent uncertainties of this business line, the parties could not agree on an appropriate valuation at completion and so the agreement provides that the Group will receive 50% of the net after tax receipts (after allowing for administrative costs) collected on the NIHL cases outstanding at completion. Approximately 53,000 NIHL cases were active and transferred at completion. Such amounts will be determined on a six monthly basis with the first measurement date on 31 December 2015. The process will continue until 30 June 2017 when a terminal value projection of expected receipts will be agreed. If no agreement is reached, the process will continue with payments every six months until the earlier of the date when a terminal value is agreed or 31 December 2018.

Based on an assessment of the costs that S&G will need to incur to pursue the NIHL cases and the potential outcome of the NIHL cases, the fair value of the contingent consideration has been determined as £nil.

1.5.2 Investment in 360 GlobalNet Group

On 22 May 2015, the Group concluded its disposal of its 49% holding of the 360, having disposed of 10% on 5 January 2015. Total consideration received was £6.0m, and a net profit on disposal of £2.0m has been recognised.

1.5.3 Investment in Nationwide Accident Repair Services plc

Having concluded that its 25% holding in NARS was no longer of strategic importance, this investment was sold on 4 March 2015 for proceeds of £7.1m. The Group had written down the carrying value of its investment as at 31 December 2014 so no profit or loss was recorded on sale.

1.6 Capital reduction and return of capital

The disposal of the PSD resulted in the Group receiving the majority of the consideration in cash. It was the stated intention of the Board to distribute the majority of those proceeds to shareholders. The total consideration for the PSD was £645m, which following the settlement of the immediate costs of sale and extant bank debt meant that the Group had cash of £524m as at 30 September 2015. The Board then conducted a thorough review of both actual and contingent liabilities including the need to fund the operating requirements of the Group and its businesses for the foreseeable future. The Board considered the Group's and businesses budgets and cash flow projections and cash needs arising, potential contingent cash obligations in relation to the ongoing SFO investigation, and we took extensive legal advice including from leading counsel. Our financial projections were then subject to review by the Auditors, KPMG, and we further commissioned a non-statutory audit of our Company balance sheet as at 30 June 2015 in order that we had a firm base from which to project.

We then considered what the most appropriate amount of the cash return should be in light of three relevant factors:

- The requirement to be able to discharge our liabilities (actual and contingent) as they fall due;
- The reasonable expectations of our shareholders; and
- The requirement to present to the Court a credible application given the SFO investigation and putative lawsuit potentially facing the company.

We therefore recommended a capital reduction and return of capital to shareholders of up to £414m, being 90p per share (pre consolidation). This was approved by both shareholders and the Court and we effected the payment of £412m to shareholders in December 2015. The Board has further indicated its intention to return a further £1 per share (following the 1:10 share consolidation), contingent upon the receipt of the Warranty Escrow due to be released at the end of November 2016. The further return of capital is likely to be conducted via a similar Court approved, capital reduction process in early 2017.

1.7 Retained earnings

Alongside the work carried out as part of the capital reduction, the Company carried out a detailed analysis of its distributable reserves. As a result of transactions in the current and prior years, transfers from both the merger reserve (£164.1m) and share based payment reserve (£28.5m) have been made to retained earnings. The Company has negative retained earnings as at 31 December 2015 of £14.0m and after deducting for unrealised profits of £1.5m, has negative realised profits totalling £15.5m.

1.8 Share Consolidation

As part of the capital reduction process, and in order to reduce volatility in the Company's shares, we sought and received approval to implement a 1:10 share consolidation. The issued and unissued shares in the capital of the Company were reduced by a factor of 10, and so, for each shareholder, for every 10 shares they held pre consolidation they received 1 new share post consolidation.

As at Court hearing, 18 December 2015	Pre-consolidation	Post-consolidation
Shares issued and allotted	458,227,083	45,822,708
Share options not exercised	8,691,559	869,172

As at 31 December 2015	Pre-consolidation (notional amount only)	Post-consolidation
Shares issued and allotted	459,633,333	45,963,333
Share options not exercised	7,285,309	728,547

1.9 Impairments of Goodwill and Intangible assets

During the year, the Group refocused its businesses with the creation of Hubio, focusing on delivering technology services to businesses in the insurance and automotive sectors.

The creation of Hubio coincided with a thorough assessment of the markets it operates in, its customers and how best to deploy its products and other assets to serve them. In addition to business restructuring comprising rationalisation of staff, property and inventory, we revisited the market developments, assumptions and projections inherent in our valuations of goodwill and other intangible assets.

Strategic Report (continued)

This has resulted in the following impairments to those assets deployed within Hubio:

£m	Goodwill	Other intangibles	Total
Net at 31 December 2015 before impairment			
– Himex	46,525	38,675	85,200
– QETS	4,896	4,728	9,624
– QSI	0	3,057	3,057
Impairments			
– Himex	(43,553)	(37,962)	(81,515)
– QETS	(4,725)	(2,899)	(7,624)
– QSI	0	(2,638)	(2,638)
As at 31 December 2015			
Total Hubio	**3,143**	**2,961**	**6,104**

The acquisition of ingenie in 2014, resulted in total intangible assets of £32.7m at the 2014 year end, which have been reviewed for indicators of impairment, with the following results:

£m	Goodwill	Other intangibles	Total
Net at 31 December 2015 before impairment	28,232	4,201	32,433
Impairment	(13,558)	(1,315)	(14,873)
As at 31 December 2015	14,674	2,886	17,560

1.10 Discontinued operations and assets available for sale

The results for the PSD are included within the results for 2014 and for the 5 months to 29 May 2015 as discontinued operations. Also included as discontinued in 2015 are the trading results, including partial closure costs, of the Property Services Division and Quintica. As at 31 December 2015, the assets and liabilities of Property Services Division and Quintica are treated as assets and liabilities held for sale.

1.11 Post balance sheet events

1.11.1 Disposal of BEI and CRC and the closure of the Property Services Division

On 7 January 2016, the Group substantially concluded its exit for the businesses that comprised the Property Services Division by the disposal of BEI and CRC. The Property Services Division has recorded an operating loss of £7.2m in 2015 (2014: loss of £28.9m).

The business activities of the other entities in the Property Services Division, Quindell Property Services and Brand Extension UK had been substantially reduced earlier in 2015 following disappointing business performance, with their remaining activities transferred into or fulfilled by BEI.

BEI is predominantly a property insulation supply and installation business and CRC is a provider of property maintenance services. Since acquisition, the performance of both BEI and CRC had been below expectations due to the unforeseeable changes to the market and legislation and, as a result, were loss making. The businesses operate in markets where unexpected changes to Government legislation in the funding of green, solar and other initiatives have substantially impacted trading and, in the view of the Board, the likely ongoing performance and prospects of the businesses.

The Group impaired the carrying value of goodwill in the first half 2015 interim results by £4.3m. Nominal consideration received in 2016 is £1 with net assets disposed of approximately £(0.1)m representing the nominal profit that will be recognised in 2016.

1.11.2 Quintica Holdings Limited

On 7 March 2016, the Group disposed of the entire issued share capital of Quintica, a reseller and integrator of software to the telecoms industries.

For the year ended 31 December 2015, Quintica recorded an operating loss of £1.9m (2014: £2.1m loss). Following a review of the business by the Board, it was concluded that Quintica was non core, as it did not fit with the Group’s current strategy and focus and due to its historical performance and associated cash funding requirements.

Total consideration was approximately £1.35m; being £1.0m cash (£500,000 payable on completion and £500,000 due by 1 January 2017), plus the repayment of intracompany debt of US$500,000 (approximately £350,000).

When Quintica was acquired in September 2012, the consideration was largely satisfied in ordinary shares, giving rise to goodwill of £5.9m. The Group has recognised an impairment of goodwill in the results to 31 December 2015, bringing the carrying value in line with the realisable value such that no profit or loss will be recognised on the disposal in 2016.

2. Financial Review

The PSD, Property Services Division, and Quintica have all been classified as a discontinued operation during 2015 and 2014. Accordingly, this review focuses primarily on the continuing operations of the Group.

2.1 KPIs on continuing business

Throughout 2015, the Board used a number of measures to determine the performance of the Group. The principal KPIs are as set out in note 6 to the Financial Statements, which provides a breakdown of EBITDA and adjusted profit before tax, and note 14 to the Financial Statements and the Income Statement and are summarised in the following table:

Continuing business only	2015	2014
KPI	£000	£000
Revenue	**58,256**	56,501
Gross profit margin	**43.3%**	33.5%
Underlying EBITDA	**(16,080)**	(16,780)
Underlying (loss)/profit before tax	**(22,546)**	(23,456)
Underlying basic earnings (pence per share)	**(40.4)**	(60.9)

2.2 Performance and adjusted results

2.2.1 Revenue

Underlying revenue for 2015 for continuing operations was £58.3m (2014: £56.5m).

The Hubio business, formed during late 2015 is an amalgamation of Himex, QETS and the Group's Canadian insurance technology businesses, QSI. As detailed in the Group Chief Executive's Update and in section 1.2 above (Overview of 2015), Hubio had a challenging 2015. Telematics based Usage Based Insurance ("UBI") revenues consist of proceeds from the sale of On Board Devices ("OBDs") and service charges for their usage and associated data provision. Revenues for Himex were £8.2m (2014: £6.6m). The Canadian telematics and UBI revenues for 2015 were £1.5m (2014: £0.8m). The Group's other insurance technology software business (formerly iter8) continues to deliver steady revenues of £1.8m (2014: £1.6m). QETS delivered revenues from its enterprise software services of £5.8m (2014: £8.6m).

ingenie's revenues, which principally comprise broker commissions from UK insurers, rose to £12.5m in 2015 (2014: £5.9m). This increase reflects the full year of ownership of ingenie in 2015 and an increase in new driver customers from 30,727 to 33,757, and by renewals increasing from 6,343 to 10,307 customers.

ptHealth's major source of revenues is from the provision of physiotherapy and similar services and showed a small decrease in the year to £25.1m in 2015 (2014: £27.7m). An underlying increase in customers served by ongoing clinics of was offset by a loss of revenues from the exiting of loss making clinics, and the conclusion of a service agreement in Q1 2015 to provide physiotherapy within retirement homes.

BAS saw revenue growth on an underlying basis of £1.5m, from £1.3m in 2014 to £2.8m in 2015.

Maine Finance, including Quotesupermarket, reported revenue of £2.1m against £1.4m in 2014. A more prudent calculation of commission clawback had been implemented in 2014 resulting in a reduction to revenue of £0.7m, which largely explains this movement.

2.2.2 EBITDA

EBITDA on an underlying basis, was a loss of £16.1m, (2014: £16.8m) and is considered as follows:

Central costs have been identified as underlying and non underlying and treated accordingly. Underlying costs have further been split and allocated to the business units where a link to that business unit has been established, on an appropriate basis for the type of cost. For example, senior management time would be allocated based on an assessment of the time spent working with or on behalf of that business unit, and property costs would be allocated based on headcount occupying the space.

Hubio reports a loss before central cost allocation of £7.2m against a loss of £5.4m in 2014, and once central costs are allocated this is a loss of £9.2m (2014: £6.1m). This arises due to ingenie in the UK generated an underlying profit before central cost allocation of £0.8m (2014: loss of £0.4m) which reflects ptHealth reported a break even result before cost allocation in 2015 against a loss of £0.2m in 2014. The movement in results reflecting a heightened focus on cost control and elimination of loss making clinics.

BAS delivered a break even result on an underlying basis before cost allocation, against a small profit of £0.2m in the previous year. The new management team have focused on the quality of business secured which maximises its collection and minimises the risk of ultimate clawback which would arise either due to early termination or downward revision of supply estimates.

Strategic Report (continued)

Maine Finance, including quotesupermarket and operating under new management, continues to experience margin compression while striving to deliver high quality leads and conversions, its activities in 2015 delivered an underlying loss before cost allocation of £0.7m (2014: loss of £4.9m).

Central expenses totalled £8.9m in 2015 (2014: £8.0m), with £3.5m allocated to the business units (2014: £1.7m), and £5.4m attributable to head office plc costs (2014: £6.3m). Some £5.5m was spent on Board and other staff costs (2014: £4.3m) with legal, financial and other professional adviser and consultancy costs totalling £2.4m (2014: £1.7m).

2.2.3 Exceptional Items

The Group has reported £135.7m of exceptional items (2014: £168.0m).

Impairment of non-cash assets totalled £113.5m (2014: £129.1m), with impairments in Hubio of £91.7m and Ingenie £14.9m the largest components of this, as shown in 1.9 above. Reorganisation costs in Hubio were £2.8m in the year (2014: £Nil), with the costs of corporate restructuring at £8.7m in the current year (£2014: £8.9m). Legal and regulatory costs totalled £7.1m (2014: £8.0m), with share based payments an expense of £3.9m (2014: £13.3m).

2.2.4 Profit before tax

The Group has incurred a continuing loss before tax of £178.0m for the year ended 2015 (2014: £205.3m), of which some £22.5m (2014: loss of £23.5m) derive from the underlying business activities.

Overall, including the profit on disposal of the PSD, the Group made a profit before tax of £276.5m (2014: loss £342.5m).

2.2.5 Cashflow

The Group has generated net cash inflows of £53.7m for the year ended 2015 (2014: cash outflows £129.5m), of which some £50.1m (2014: loss of £77.9m) was consumed by the continuing non-exceptional business activities.

2.2.6 Balance Sheet

The net assets shown in the statement of financial position at 31 December 2015 were £137.1m (2014: £264.5m).

A summary analysis of the principal components and how they moved during the year is set out below.

The closing net assets can be analysed by their proximity to cash as follows:

	2015	2014
As at 31 December	£m	£m
Net cash	103.2	34.4
Escrow balances	53.8	–
Other net current liabilities/assets	(57.8)	58.2
Creditors, loans and provisions over one year	(5.5)	(17.5)
Non-cash assets	43.4	189.4
Net assets	**137.1**	**264.5**

Included in the net current liabilities/assets assets at 31 December 2015 are the escrow balances in relation to the disposal of PSD including the Warranty Escrow of £50.0m and the completion accounts escrow of which £3.8m was received in May 2016.

Included in the net current liabilities/assets assets at 31 December 2014 are the net assets of the PSD of £120.8m.

Balance sheet movement summary

	Central	Hubio	Ingenie	Other Continuing	Discontinued	Group Total
	£000	£000	£000	£000	£000	£000
As at 31 December 2014	(15,818)	103,673	33,651	22,162	120,829	264,497
Underlying EBITDA	(8,875)	(7,225)	817	(797)	–	(16,080)
Discontinued and non-underlying EBITDA	(1,437)	–	–	(1,179)	(29,589)	(32,205)
Amortisation & depreciation	(1,263)	(12,212)	(1,149)	(2,563)	(1,838)	(19,025)
Exceptional items (excluding SBPs)	(15,333)	(102,505)	(13,558)	(1,466)	(15,082)	(147,944)
Disposals and acquisitions	593,507	–	–	(14,095)	(85,970)	493,442
Tax	1,172	11,191	334	492	(1,401)	11,788
Cash funding and interest	(22,829)	11,192	(2,197)	(23)	13,095	(762)
FX	–	(1,683)	–	320	(196)	(1,559)
Capital return (including options cash out)	(423,023)	–	–	–	–	(423,023)
Share issues (including treasury shares)	5,234	–	–	2,746	–	7,980
As at 31 December 2015	**111,335**	**2,431**	**17,898**	**5,597**	**(152)**	**137,109**

2.2.7 Earnings per share

The underlying basic and diluted EPS, as defined in note 14 to the Financial Statements, was a loss of 40.4 pence per share (2014: loss of 60.9 pence per share).

2.3 Going Concern

The Group has significantly reduced its working capital requirements through the disposal of a number of non-core, loss making businesses. The Group holds significant cash reserves and no material debt. The Group has concluded that its cash reserves together with ongoing operating cash flows, and receipts of deferred consideration from the disposal of the Professional Services Division will be sufficient to fund the ongoing operations of the Group's businesses together with any future development needs of those businesses.

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

2.4 Internal financial discipline

We have defined the financial disciplines under which we operate at the Group and operating company level and are making progress to full compliance with these practices. We have summarised below the key areas upon which we are focussing:

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

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

Strategic Report (continued)

In addition to the internal financial discipline, the Group will make trading statements (as appropriate) and report full and half yearly financial results externally.

2.5 Interim Financial Statements for the period ended 30 June 2016

We intend to prepare a set of interim Financial Statements for the 6 months ended 30 June 2016 which will be subject to review by the Auditor.

3. Capital management

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

Following the disposal of the PSD and return of capital to shareholders, there is little or no external debt finance in the business and the Group maintains sufficient liquid funds in order to be able to fund the growth aspirations of its operating businesses.

4. Principal risks and uncertainties

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

4.1 Strategic risk

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

4.2 Technological change

The markets for the Group's services can be affected by technological changes, resulting in the introduction of new products, evolving industry standards and changes to consumer behaviour and expectations. The Group regularly monitors trends in technological advancement so as to anticipate and plan for future changes and maintains close relationships with businesses and organisations which it believes will keep it to the forefront of product and service development on a sustained basis.

4.3 Key personnel and resources

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

4.4 Regulatory and reputational risks

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

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

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

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

4.5 Liquidity risk

Prior to the disposal of the PSD, the Group used borrowing principally to fund its working capital needs. The Group's facilities were repaid following the completion of this disposal. In future, the Group expects to manage liquidity within its cash capacity. The Group actively forecasts, manages and reports its working capital requirements, including conducting sensitivity analyses on a regular basis to ensure that it has sufficient funds for its operations. In addition, it will manage the timing and value of any future investments in light of forecast cashflow requirements and in light of other expected cash inflows in respect of contingent consideration for NIHL claims and any proceeds from disposals of non-core assets.

4.6 Management of growth

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

4.7 Market conditions

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

4.8 Foreign exchange

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

Mark P Williams
Group Finance Director
By order of the Board
27 May 2016

Board of Directors

Richard Rose (60)

Non-Executive Chairman
Richard is Non-Executive Chairman of AO World plc, Crawshaw plc, Anpario plc and Blue Inc Limited. Previously, he has held a number of positions in organisations such as Booker plc ('Booker') where he was Non-Executive Chairman (previously an Executive Director and Chairman of Blueheath Holdings plc immediately prior to its reverse acquisition by Booker in 2007), AC Electrical Wholesale, where he was Chairman from 2003 to 2006 and Whittard of Chelsea plc, where he was Chief Executive Officer and then Executive Chairman from 2004 to 2006.

Indro Mukerjee (55)

Group Chief Executive Officer
Indro joined the Group as Group Chief Executive Officer in September 2015. He has previous Board level leadership experience in corporate multinational, new venture and private equity backed fast moving technology and industrial companies.

Prior to joining the Group, Indro launched FlexEnable Limited, a leader in flexible electronics technology for wearables and sensors, which was created from the transformation of Plastic Logic where he was CEO.

His earlier career included being CEO of C-MAC MicroTechnology, a private equity backed LBO from which three market-leading businesses were created and sold; several executive board positions with Philips Semiconductors BV, including Executive VP Global Marketing & Sales and CEO of Automotive business unit; Commercial Director of VideoLogic during IPO and senior management positions within Hitachi's European semiconductor division.

Indro is a member of the Board of Sector Skills Council for UK Science, Engineering and Manufacturing Technologies and is the founding Chairman of the UK Electronics Skills Foundation.

Indro has a degree in Engineering Science from Oxford University, is a graduate of the Wharton Advanced Management Program and speaks several European languages.

Mark Williams (51)

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

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

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

David Currie (46)

Non-executive Director
David has worked within the financial sector for over 20 years, and was appointed to the Board in July 2014. In April 2013 David established Codex Capital Partners and for the prior 10 years David headed Investec Bank plc's Investment Banking division.

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

The Rt. Hon. Lord Howard of Lympne, CH, QC (74)

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

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

Tony Illsley (59)

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

He is currently a Non-Executive Director of KCOM Group PLC, Camelot Global Services Limited and Camelot UK Lotteries Limited.

David Young (54)

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

David has held numerous Non-executive positions and audit committee chairs with insurance and financial services businesses. He is currently a Non-executive Director of Premium Credit Limited, the British Gas Insurance Group, Key Retirement Group and is a consultant to Independent Audit Limited.

Directors' Remuneration Report

The Board recognises the importance of shareholder transparency and compliance with corporate governance principles. The Company has prepared this report in order to enable a better understanding of Directors' remuneration. The information included in this report is unaudited.

The information in this report relates to the remuneration arrangements that applied during the year ended 31 December 2015 and the remuneration policy that applies in 2016.

Remuneration Committee

Tony Illsley was appointed chairman of the Committee in June 2015. The additional members are David Young and Lord Howard all of whom are independent. Richard Rose, the Non-executive Chairman is invited to attend all meetings of the Committee and is actively involved in consultation with major shareholders on key matters of remuneration.

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

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

Remuneration policy

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

The Board's intention is to combine appropriate levels of fixed pay with incentive schemes that provide executives with the ability to earn above median levels for true out-performance. In determining the remuneration policy the Committee was conscious of both the unusual and challenging circumstances of the Company and the Board's strategy to simplify and focus the Company on delivering shareholder value (as detailed in the Chairman's Report and Group Chief Executive's Update). Accordingly, the Committee believes that the MIRP (as detailed below) focuses the executive Directors on enhancing value and returning that value to shareholders and ensures alignment between the executive Directors, Board strategy and shareholder interests.

The remuneration packages for executive Directors comprises the following main elements:

- basic annual 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 in respect of the performance of the individual, achievement of performance criteria and the individual's contribution to that performance and the Group calculated as a percentage of salary; and
- a cash-based incentive and retention scheme ("MIRP"), focused on delivering growth in the value of the Company's operating businesses going forward without penalising or rewarding management in respect of historic matters.

Recruitment and remuneration of the executive Directors in 2015

Following completion of the disposal of the PSD in May 2015, the new Board was appointed.

Given the scale, complexity and history of the Group, recruitment and retention of key management was considered, and remains, of critical importance. In addition, the Board and key management are required to accept an unusual level of risk in respect of the historical circumstances of the Company particularly given the investigations in 2015 by the FRC, the FCA (both now terminated) and the SFO (ongoing). Accordingly, the Remuneration Committee believed it appropriate that pay and incentive packages should reflect these factors such that the Group was able to offer above average remuneration to recruit and retain the best people.

Directors' Remuneration Report (continued)

Mark Williams (Group Finance Director)

On 29 May 2015, Mark Williams, who had worked with the Company as part of Baxter Bruce Limited since January 2015, was appointed Group Finance Director with a base salary of £250,000 per annum and an entitlement to an annual discretionary bonus of up to 150% of salary. In addition, Mr Williams is entitled to typical executive benefits including a pension contribution of 10% of base salary, life assurance and health and medical insurance. His notice period on his rolling service contract is 6 months.

Indro Mukerjee (Group Chief Executive Officer)

On 7 September 2015, Indro Mukerjee was appointed Group Chief Executive Officer with a base salary of £475,000 per annum and an entitlement to an annual discretionary bonus of up to 175% of salary. In addition, Mr Mukerjee is entitled to a maximum of £47,000 per annum in cash in respect of pension contributions or other purposes, and typical executive benefits including life assurance and health and medical insurance.

At his request, Mr Mukerjee's notice period on his rolling service contract was agreed as initially 12 months and reducing by one month for each of the first 9 completed months from 7 September 2015. Accordingly, the minimum notice period will be 3 months which will apply from 7 June 2016.

As part of the negotiations relating to his appointment, in light of the regulatory uncertainty at the time of the appointment and to compensate for cash bonuses forfeited in respect of previous posts, the Remuneration Committee agreed to pay a total payment of £500,000 in cash ("Deferred Compensation Payment") to Mr Mukerjee. The Deferred Compensation Payment accrues on a daily basis for one year from 7 September 2015 and is not be subject to any exercise of discretion by the Remuneration Committee. £161,417 of the Deferred Compensation Payment was accrued and paid in respect of the period up to 31 December 2015. The remaining £338,582 of the Deferred Compensation Payment will accrue to 6 September 2016 and be payable by 21 September 2016.

The Deferred Compensation Payment is offsetable against Mr Mukerjee's entitlement to annual discretionary bonus such that his aggregate entitlement to Deferred Compensation Payment and annual discretionary bonus cannot exceed 175% of salary.

Annual bonuses of the executive management team

In deciding on the annual cash bonuses to be awarded to the executive management team for 2015, the Remuneration Committee took into account the exceptional circumstances and work of the team in respect of, inter alia, the:

- stabilisation of the business against a backdrop of challenging financial circumstances prior to the disposal of the PSD and a period where the Group was led by an interim management structure without a Chief Executive Officer;
- disposal of the PSD to Slater and Gordon for £645m plus contingent consideration;
- production of the exceptionally complex 2014 Report and Accounts and associated work including thorough reviews of the historic accounts, M&A and previous public disclosures;
- liaison and work leading to the ending of the enquiry of the FRC;
- completion of the unprecedented £412m capital return process;
- creation of the Group's strategy following the disposal of the PSD; and
- restructuring of the Group across multiple jurisdictions and companies.

For details of the annual bonuses paid to the Directors, please see the table below and the associated notes.

For 2016, annual discretionary bonuses for the executive management team will be closely aligned to the interests of the Company and its shareholders. Executive management will be rewarded based on the achievement of outcomes consistent with the optimisation of shareholder value in this Company.

The discretionary bonus plan will reward, inter alia, a combination of:

- resolution, careful management and mitigation of legacy matters both at the plc level and within our operating companies;
- optimisation of returns from contingent assets;
- reduction and elimination of losses;
- growth and improvement of the Group's more established businesses; and
- putting in place the foundations for other businesses to deliver the best growth and value.

All of the above will be required to be delivered within a constrained set of cash management targets. Award of the maximum discretionary bonuses will only be given on optimal achievement of these targets.

The maximum potential bonus payments for the executive Directors are as detailed above.

Management Incentive and Retention Plan

Prior to 2015, the Board granted share options to reward performance at the discretion of the Committee and to align the interests of executives with those of shareholders. Neither of the executive Directors have any interest in options under this scheme although Stefan Borson (Group General Counsel & Company Secretary) retains options over 50,000 ordinary shares at an exercise price of 1,500 pence per share. In March 2016, the Group announced a new cash-based management incentive and retention plan.

The MIRP is a cash-based incentive and retention scheme that will only be triggered upon value-crystallising events (including, inter alia, a takeover of the Group or disposals of individual divisions) in excess of base values. A market price of 250 pence per share (being approximately a 18.5% premium to the closing share price on 18 March 2016) for the Group as a whole (including all its assets and liabilities) was used to ascribe a base value to each division ("Hurdle"). The Hurdle will be adjusted, inter alia, for cash invested by the Group and dividends or other proceeds paid to the Group by the respective divisions.

The benefits paid pursuant to the MIRP (if any) will specifically exclude the impact of, or adjustment for the Company's cash balances the cash to be released from Warranty Escrow at the end of November 2016 and the deferred contingent consideration payable pursuant to the disposal of the PSD; and any cash paid to resolve liabilities relating to events which occurred prior to the appointment of the new Board of the Company on 29 May 2015.

Indro Mukerjee, Mark Williams and Stefan Borson are entitled to a share of up to a total of 9.5% of any growth in value of each division of the Group above the Hurdle (as adjusted for cash invested or generated from 1 January 2016).

Non-executive Directors

The Non-executive Directors do not have service contracts, nor do they participate in any share option plan, MIRP, 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 notice (one months' notice for each Non-executive Director except David Currie (3 months)). Fees payable under the terms of their appointments for those Directors who served during the year are shown in the table below.

Directors' Remuneration Report (continued)

Directors' emoluments

The remuneration of the Directors, including the highest paid Director who was Mark Williams, was as follows:

	Salary and fees	Bonus	Contributions to personal pension schemes	Compensation for loss of office	**Total 2015**	Total 2014
	£000	£000	£000	£000	**£000**	£000
Executive						
I Mukerjee[1]	166	269	–	–	**435**	–
M Williams[2,10]	147	369	14	–	**530**	–
R Terry[3]	–	–	–	–	**–**	2,272
R Fielding[4,9]	149	–	–	–	**149**	1,976
L Moorse[5]	171	–	36	575	**782**	625
	633	638	50	575	**1,896**	4,873
Non-executive						
R Rose[2,10,11]	108	–	–	–	**108**	–
D Currie[6]	50	–	–	–	**50**	123
A Bowers[7,8]	–	–	–	–	**–**	140
R Bright[5]	49	–	–	–	**49**	55
R Burrow[5,8]	50	–	–	–	**50**	60
R Cooling[5]	45	–	–	–	**45**	63
S Scott[3,8,9]	7	–	–	–	**7**	50
A Illsley[2]	44	–	–	–	**44**	–
M Howard[2]	44	–	–	–	**44**	–
D Young[2]	44	–	–	–	**44**	–
Total	1,074	638	50	575	**2,337**	5,364

Notes
1 Appointed 7 September 2015. In addition to the Deferred Compensation Payment, I Mukerjee was awarded an additional £108,000 which in aggregate represented his maximum annual cash bonus of £269,417 (£831,250 pro rated for the period from 7 September 2015 to 31 December 2015).
2 Appointed 29 May 2015. M Williams bonus includes £100,000 paid for consultancy services provided prior to becoming a Director, £50,000 retention payment paid in December 2015 (a further £50,000 retention payment is due as at 31 December 2016), and his maximum annual cash bonus of £218,750 (£375,000 pro rated for the period from 29 May 2015 to 31 December 2015).
3 Resigned 18 November 2014.
4 Appointed 19 June 2014.
5 Resigned 29 May 2015. On 17 November 2014, L Moorse entered into a Deed of Variation in respect of his Service Agreement dated 11 July 2011 in which L Moorse agreed to serve as a Director until the Company's Annual General Meeting in 2015 ("LM Termination Date") and to provide other services for a 12 month period thereafter. In consideration of these changes, L Moorse was entitled to receive his salary of £410,000 per annum until the LM Termination Date, to a bonus of up to £307,500 for the year ended 31 December 2014, a bonus of £153,750 for the year ended 31 December 2015 and other benefits. Mr Moorse was also entitled to a new fixed term 12 month service agreement from the LM Termination Date at a salary of £410,000 and other benefits ("LM Fixed Term Agreement"). On 19 May 2015, in lieu of a) the outstanding payments due to L Moorse after 29 May 2015 (50% of the bonus due for the year ended 31 December 2014 and all of the bonus due for the year ended 31 December 2015); and b) Mr Moorse's entitlement to the LM Fixed Term Agreement, the Company agreed to enter into a Settlement Agreement with Mr Moorse pursuant to which he received a final settlement of £575,000.
6 Appointed 14 July 2014.
7 Resigned 27 October 2014 due to death.
8 Non-executive Director fees were paid to companies connected to these Directors (see note 39).
9 Also provided services to the Group (see note 39).
10 BaxterBruce Limited provided strategic consultancy services during the year. M Williams and R Rose were 2 of the consultants providing the services. Please refer to note 39 for further information.
11 R Rose was employed by the Company from 12 January 2015, prior to his appointment as Director, during which period he earned £72,000. As disclosed in the 2014 Annual Report, he was also paid £1,000,000 in relation to consulting services provided prior to his appointment as Director.

This report was approved by the Board on 27 May 2016 and signed on its behalf by:

Tony Illsley
Chairman of the Remuneration Committee

Corporate Governance Report

The Group is supportive of the principles embodied in the UK Corporate Governance Code that was issued by the Financial Reporting Council in 2010 and most recently updated in 2014. This report describes how the principles of corporate governance are applied to the Group.

The Board

The Group has appointed Non-executive Directors to bring an independent view to the Board and to provide a balance to the executive Directors. During the year, the Board of Directors comprised of between one and two executive Directors and between four and five independent Non-executive Directors, of whom, Robert Burrow was the senior independent Director until 29 May 2015 and Lord Howard, was the senior independent Director from 29 May 2015. On 29 May 2015, David Currie stepped down as interim Non-executive Chairman but remained a Non-executive Director with Richard Rose joining the Board as Non-executive Chairman.

The Board meets monthly throughout the year (save in August and December), 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 Group General Counsel & Company Secretary and is able to take professional advice at the Group's expense.

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

Board committees

The Board has established four committees: Audit, Remuneration, Nomination and Disclosure. The Group Company Secretary is secretary to each committee but does not act where discussion relates to him or where there is another conflict.

Audit committee

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

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

Corporate Governance Report (continued)

Remuneration committee

The Remuneration Committee is chaired by Tony Illsley and consists of Tony Illsley, David Young and Lord Howard. It meets at least twice a year and is responsible for reviewing the performance of the executive Directors and other senior executives and for determining appropriate levels of remuneration. The Committee's report is set out on pages 21 to 24.

Nomination committee

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

Disclosure committee

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

Shareholder relations

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

Internal control and risk management

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

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

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

Going concern

The Board 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 17.

Directors' Report

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

Company name

On 26 November 2015, the Company changed its name from Quindell Plc to Watchstone Group plc.

Directors

The Directors who held office at 31 December 2015 and up to the date of this report are set out on page 20 along with their biographies.

Changes to the Board during the year and up to the date of this report were as follows:

Name	Date	Position
Richard Rose	Appointed on 29 May 2015	Independent Non-Executive Director and Chairman of the Board and of the Nominations Committee
The Rt. Hon. Lord Howard of Lympne, CH, QC	Appointed on 29 May 2015	Independent Non-Executive Director and Senior Independent Non-Executive Director
Tony Illsley	Appointed on 29 May 2015	Independent Non-Executive Director and Chairman of Remuneration Committee
David Young	Appointed on 29 May 2015	Independent Non-Executive Director and Chairman of the Audit Committee
Mark Williams	Appointed on 29 May 2015	Group Finance Director and Chairman of the Disclosure Committee
Indro Mukerjee	Appointed on 7 September 2015	Group Chief Executive Officer
Robert Burrow	Resigned on 29 May 2015	Independent Non-Executive Director and Chairman of the Remuneration Committee
Robert Bright	Resigned on 29 May 2015	Independent Non-Executive Director
Robert Cooling	Resigned on 29 May 2015	Independent Non-Executive Director
Robert Fielding	Resigned on 29 May 2015	Group Chief Executive Officer
Laurence Moorse	Resigned on 29 May 2015	Group Finance Director

The remuneration of the Directors including their respective shareholdings in the Company is set out in the Directors' Remuneration Report on pages 21 to 24.

In addition to the changes to the Directors, on 29 May 2015, Edward Walker resigned as Company Secretary and Stefan Borson was appointed as Group Company Secretary.

As at 31 December 2015, the following Directors held shares in the Company: Richard Rose (100,000); Indro Mukerjee (50,550); Mark Williams (50,550); Lord Howard (12,608); and David Currie (1,950).

Directors' and Officers' liability insurance and indemnification of Directors

The Company maintains Directors' and Officers' liability insurance which gives appropriate cover for any legal action brought against its Directors. The Company has also granted indemnities to each of its Directors to the extent permitted by law. Qualifying third party indemnity provisions (as defined in Section 324 of the Companies Act 2006) have been adopted by the Board. These indemnities remain in force in relation to certain losses and liabilities which the Directors may incur to third parties in the course of acting as Directors of the Company.

Share capital

The Company has only ordinary shares of 10 pence nominal value in issue. Note 28 to the consolidated Financial Statements summarises the rights of the ordinary shares.

Substantial shareholdings

As at 24 May 2016, the Company had been advised under the Disclosure and Transparency Regime, or had ascertained from its own analysis, that the following held interests of 3% or more of the voting rights of its issued share capital:

Shareholder	Shares	Percentage (%)
Beachpoint Capital Management LP	4,001,335	8.69
M&G Investments	2,916,666	6.34
Sand Grove Capital Management LLP	2,305,383	5.01

Dividends

The Directors do not recommend the payment of a final dividend (2014: 1.5 pence per share of 15 pence).

Committees of the Board

The Board has established Audit, Nominations, Remuneration and Disclosure Committees. Details of these Committees, including membership and their activities during 2015 are contained in the Corporate Governance section of this Annual Report and in the Remuneration Report.

Corporate governance

The Group's report on Corporate Governance is on pages 25 to 26 and forms part of this Directors' Report.

Directors' Report (continued)

Companies Act 2006 disclosures

In accordance with Section 992 of the Companies Act 2006, the Directors disclose the following information:

- The Company's capital structure and voting rights are summarised in note 28, and there are no restrictions on voting rights nor any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights;
- There exist no securities carrying special rights with regard to the control of the Company;
- Details of the substantial shareholders and their shareholdings in the Company are listed above;
- The rules concerning the appointment and replacement of Directors, amendment to the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006;
- There exist no agreements to which the Company is party that may affect its control following a takeover bid; and
- There exist no agreements between the Company and its Directors providing for compensation for loss of office that may occur because of a takeover bid.

Articles of Association

The Company's Articles of Association set out the rights of shareholders including voting rights, distribution rights, attendance at general meetings, powers of Directors, proceedings of Directors as well as borrowing limits and other governance controls. A copy of the Articles of Association can be requested from the Group Company Secretary.

Conflicts of interest

During the year no Director held any beneficial interest in any contract significant to the Company's business, other than a contract of employment. The Company has procedures set out in the Articles of Association for managing conflicts of interest. Should a Director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with the Group, they are required to notify the Board as soon as reasonably practicable.

Going concern

The Directors have made appropriate enquiries and consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the Financial Statements.

Financial instruments

At the end of the year, the Group does not have complex financial instruments. The financial instruments comprise borrowings, cash and liquid resources and various items such as trade debtors and trade creditors that arise from its operations. The main purpose of these financial instruments is to manage the Group's operations. Further information in relation to the financial risk management objectives of the Group, the financial risk factors noted and a detailed analysis of the Group's exposure to interest risk, liquidity risk, capital risk and credit risk is included in note 33 to these Financial Statements.

Transactions in which one or more of the Directors had a material interest in and to which the Company, or its subsidiaries, was a party during the financial year are described in note 39, 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 Watchstone Group plc Group of companies during the year.

Employees

The Group has a policy of offering equal opportunities to employees at all levels in respect of the conditions of work. Throughout the Group it is the Board's intention to provide possible employment opportunities and training for disabled people and to care for employees who become disabled having regard to aptitude and abilities.

Regular consultation and meetings, formal or otherwise, are held with all levels of employees to discuss problems and opportunities. Information on matters of concern to employees is presented in the in-house letters and publications.

Statement of Directors responsibilities in respect of the annual report, strategic report, the Directors report and the Financial Statements

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

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group Financial Statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company Financial Statements in accordance with IFRSs as adopted by the EU and applicable law.

Under Company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group Financial Statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company Financial Statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

Disclosure of information to the Auditors

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

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

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

This information is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Annual General Meeting ("AGM")

The 2016 AGM will be held at 10.00am on 30 June 2016 at Plaza Suites 1 – 3, 200 Westminster Bridge Road, London SE1 7UT. The Chairmen of the Board and of each of its Committees will be in attendance at the AGM to answer questions from shareholders. The Company will be making use of the electronic voting facility provided by its registrars, Capita Asset Services. The facility includes CREST voting for members holding their shares in uncertificated form. For further information, please refer to the section on on-line services and electronic voting set out in the notes to the Notice of Meeting. The Notice of Meeting and an explanation of the resolutions to be put to the meeting are set out in the Notice of Meeting accompanying this Annual Report. The Board fully supports all the resolutions and encourages shareholders to vote in favour of each of them.

By order of the Board

Stefan Borson

Group General Counsel & Company Secretary

27 May 2016

Audit Committee Report

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

The Committee is responsible for:

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

Summary of meetings during the year

The focus of the Committee has been on the integrity of the Group's financial accounting and ensuring that shareholders can have confidence in the Group's accounting systems and policies and, as a result, in its reported results. The very substantial amount of work undertaken on producing, in August 2015, the 2014 Report and Accounts with their revisions and disclosures relating to prior years necessitated three formal meetings of the Committee and a substantial number of briefing discussions with individual committee members. The openness, commitment and resilience of the financial management team and the Auditors in that process was noteworthy.

The thoroughness of the 2014 Report and Accounts preparation was reflected in a significant reduction of issues which needed to be considered in the interim results for the period ended 30 June 2015 and in producing these accounts. The Committee is particularly pleased that the Auditors have issued a clean opinion on the Income Statement for the year ended 31 December 2015 and Balance Sheet of both the Parent Company and Group as at 31 December 2014 and for 2015. The issues that were discussed in detail in the 2014 Financial Statements are now only relevant to the closing position as at 31 December 2013 and, therefore, solely impact the comparatives for the Income Statement.

2015 Audit and Financial Reporting

The Committee reviewed with both management and the external Auditor the appropriateness of the half-year and annual financial statements concentrating on, amongst other matters:

- the quality and acceptability of accounting policies and practices;
- the appropriateness and clarity of the disclosures and compliance with financial reporting standards;
- material areas in which significant judgements have been applied or where there has been discussion with the Auditor;
- whether the annual report and accounts, taken as a whole, present the results for the year in a fair and balanced way and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

As a Committee it supports the Auditors in displaying the necessary professional scepticism their role requires.

The Committee paid particular consideration to the scope of the audit and materiality proposed in the light of the changes to the composition of the Group as well as the risks with the greatest impact on the audit. It reviewed and considered the significant issues in relation to the Financial Statements and how these have been addressed, including:

- **Revenue recognition, particularly on those contracts containing multiple elements**
  The Group adopted new accounting policies on revenue recognition in 2014 following external advice. A number of contracts contain multiple elements such as the provision, future development and maintenance of software combined with the sale of hardware. The Committee reviewed the treatment of major contracts in force during the year.
- **Presentation of the income statement following the disposal of the PSD**
  The sale of the PSD was concluded during the year and was referred to in the 2014 Accounts. The disposal proceeds contain a number of estimates of amounts which are material to the Balance Sheet, in particular of the Warranty Escrow and deferred contingent consideration potentially receivable in respect of NIHL cases. The Committee has reviewed the estimates used in the light of the contractual rights and commitments and public announcements by S&G to the Australian Stock Exchange.

The accounts and strategic report make a number of references to exceptional costs and other adjusting items. The Committee has reviewed the presentation of these costs in the light of applicable accounting standards and guidance by the FRC.

- **Valuation of goodwill and intangible assets**
  The Consolidated Statement of Financial Position includes goodwill arising on acquisitions as well as other intangible assets such as software development costs. The goodwill arising on, inter alia the acquisitions of Ingenie, Himex and ptHealth (which are the Group's largest remaining businesses) was substantively reviewed covered in the 2014 Report and Accounts, but has been re-evaluated in the light of changes in market conditions and resulting changes in strategy.
- **Estimates of provisions required at the year end**
  The Group has significant provisions for corporate and payroll tax related matters, legal and regulatory investigations and disputes, onerous contracts and reorganisation costs as shown in note 26. Provisions can involve significant judgement and therefore we have reviewed the assumptions made by management of the accuracy and valuation of tax related assets and liabilities and of the likelihood of other costs expected to be incurred, in particular as a result of the investigations and actions referred to in note 26.

Relationship with the Auditor

Shareholders approved the re-appointment of KPMG at the 2015 AGM at which the Committee Chairman explained that the Board remained satisfied as to KPMG's independence and objectivity and the quality of the 2014 audit. In addition, KPMG's knowledge of the history of the Group would be an important factor in supporting an application to the Court for a return of capital. In the light of the ongoing investigation by the FRC into KPMG's audit of the 2013 accounts and the substantial time commitment which would be needed, the Committee agreed with KPMG that a new audit engagement partner and audit Director from an office unconnected with the 2013 audit would be appointed.

Following an interview process by the Audit Committee Chair and the Group Finance Director, we were pleased to appoint an audit partner from KPMG's technology sector team based in its London office with appropriate expertise of the North American market, where many of the Group's technology businesses are based. We have, however, retained access to KPMG's historical knowledge of the Group which may be necessary to support a Court application for a further return of capital.

The Committee believes that the independence of the Auditor is one of the primary safeguards for shareholders. The Committee reviewed audit independence and the scope of non-audit services and independence safeguards with KPMG. As part of this review, the Committee has received and reviewed written confirmation that, in KPMG's professional judgement, KPMG is independent within the meaning of all UK regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff is not impaired.

The Committee is satisfied that there has been appropriate focus and challenge on the primary areas of audit risk and assess the quality of the audit process to be good and therefore has recommended to the Board the reappointment of KPMG as Auditor.

Risk management and internal control

The Committee has reviewed with the Group Finance Director the structure of the financial management team which is appropriate for the size and strategy of the Group going forward, taking into account the need still to manage legacy issues. The Committee has encouraged the implementation of a revised system of internal financial controls and has received reports from a contract internal Auditor who was engaged to carry out further investigations into certain historic issues. The Committee expects to focus greater attention in 2016 into ensuring that the risk management and internal control systems are proportionate for a Group of Watchstone's size and business strategy.

Independent Auditor's Report to the members of Watchstone Group plc

We have audited the Financial Statements of Watchstone Group plc for the year ended 31 December 2015 set out on pages 34 to 132. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 29, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

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

Basis for qualified opinion on Financial Statements

Limitation in scope with respect to Group Loss and related party transactions for the year ended 31 December 2014

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

- As explained in note 42 to the Group Financial Statements and note 63 to the Parent Company Financial Statements, the Directors in office at the date of approval of the 31 December 2014 Financial Statements ("current Directors") took into account all available information in the application of the Group and Parent Company's accounting policies and in forming judgements over a number of identified adjustments accounted for as prior year adjustments in preparing the 31 December 2014 Financial Statements relating to certain historical acquisitions, revenue and share transactions and the disclosure in those prior Financial Statements of previously inadequately disclosed related party and share transactions. The current Directors in preparing the 31 December 2014 Financial Statements amended the accounting and disclosure of these transactions based on information that had then been made available by former members of management, former Directors and others in response to enquiries by them and by us and which was not part of the Group's or Parent Company's records and had not previously been made available to us. In a number of respects this information contradicted representations previously made to us by former members of management and former Directors as well as information contained in the Group's and Parent Company's accounting records and called into doubt the previously adopted accounting treatments of these transactions and/or the values that were attributed to the transactions. The current Directors explain that, whilst they have made all reasonable efforts to identify all relevant information that could impact on the accounting, including making requests for information to former Directors, the intention or commercial purpose of certain of these transactions and/or the values to attribute to the transactions remain unclear. Whilst the current Directors believe that all material transactions have been identified and reviewed, it is also possible that there are transactions into which the Group has entered of which they are unaware, as a result of weaknesses in the books and records maintained by the Parent Company,

in fulfilling their responsibilities to prepare the 31 December 2014 Financial Statements and to provide to us all the information and explanations that we considered necessary for the purpose of our audit. We have not identified alternative evidence that would allow us to resolve this. As set out in note 42 to the Group Financial Statements, the current Directors would expect any such transactions affecting the 31 December 2014 statement of financial position, if material, to have been identified during the course of preparation of the 31 December 2014 and 31 December 2015 Financial Statements and related work, but note the possibility that additional related party transactions may exist relating to prior years which would fall to be disclosed. Owing to the deficiencies in the Group's and Parent Company's records in these regards and the significant doubts we now have over representations we received from former members of management and former Directors, we were unable to obtain sufficient appropriate audit evidence regarding these matters, which might have a material effect on the Group's loss for the year ended 31 December 2014; and

- As set out in note 42 to the Group Financial Statements and note 63 of the Parent Company Financial Statements, the current Directors identified a number of previously undisclosed related party transactions (including share transactions) with former Directors and others, often but not always related to the historical acquisitions, revenue and share transactions referred to above. We have been unable to obtain sufficient audit evidence to conclude whether or not there are additional related party transactions which would be required to be disclosed under International Accounting Standard 24 and the Companies Act 2006 in respect of the year ended 31 December 2014.

We qualified our audit opinions on the Financial Statements for the year ended 31 December 2014 with regard to the same limitations.

Qualified 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 2015.

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

- give a true and fair view of the Group's profit for the year ended 31 December 2015;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

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

Tudor Aw (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square,
London
E14 5GL
27 May 2016

Financial Statements

Consolidated Income Statement

for the year ended 31 December 2015	Note	2015 Underlying £000	2015 Non-underlying £000	2015 Total £000	Restated (note 5) 2014 Underlying £000	2014 Non-underlying £000	2014 Total £000
Revenue		**58,256**	**528**	**58,784**	56,501	3,627	60,128
Cost of sales		**(33,025)**	**(373)**	**(33,398)**	(37,569)	(3,517)	(41,086)
Gross profit		**25,231**	**155**	**25,386**	18,932	110	19,042
Administrative expenses	9	**(47,541)**	**(157,568)**	**(205,109)**	(42,201)	(200,397)	(242,598)
Other income	10	**–**	**1,971**	**1,971**	–	18,001	18,001
Share of results of associates		**103**	**–**	**103**	278	434	712
Group operating loss		**(22,207)**	**(155,442)**	**(177,649)**	(22,991)	(181,852)	(204,843)
Finance income	12	**1,236**	**–**	**1,236**	417	–	417
Finance expense	12	**(1,575)**	**–**	**(1,575)**	(882)	–	(882)
Loss before taxation		**(22,546)**	**(155,442)**	**(177,988)**	(23,456)	(181,852)	(205,308)
Taxation	13	**3,771**	**9,419**	**13,190**	(4,900)	2,124	(2,776)
Loss after taxation for the year from continuing operations		**(18,775)**	**(146,023)**	**(164,798)**	(28,356)	(179,728)	(208,084)
Net gain on disposal of discontinued operations	37	**–**	**494,317**	**494,317**	–	–	–
Loss for the year from discontinued operations, net of taxation	37	**–**	**(54,580)**	**(54,580)**	–	(166,400)	(166,400)
Profit/(loss) after taxation for the year		**(18,775)**	**293,714**	**274,939**	(28,356)	(346,128)	(374,484)
Attributable to:							
Equity holders of the parent		**(18,280)**	**293,714**	**275,434**	(25,791)	(346,128)	(371,919)
Non-controlling interests		**(495)**	**–**	**(495)**	(2,565)	–	(2,565)
		(18,775)	**293,714**	**274,939**	(28,356)	(346,128)	(374,484)
Earnings/(loss) per share (pence):							
Basic	14	**(40.4)**		**609.0**	(60.9)		(878.9)
Diluted	14	**(40.4)**		**609.0**	(60.9)		(878.9)
Loss per share from continuing activities (pence)							
Basic	14			**(363.3)**			(485.7)
Diluted	14			**(363.3)**			(485.7)

Non-underlying results have been presented separately to give a better guide to underlying business performance (see note 1).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2015	**2015**	2014
	£000	£000
Profit/(loss) after taxation	**274,939**	(374,484)
Share of other comprehensive income of associates	–	(1,327)
Items that may be reclassified in the Consolidated Income Statement		
Exchange differences on translation of foreign operations	**(1,674)**	1,837
Fair value movements on available for sale assets:		
Fair value decrease on available for sale assets	–	(1,500)
Fair value movements on available for sale assets taken to the Consolidated Income Statement:		
Previous fair value gain recognised in the Consolidated Income Statement in respect of an investment becoming an associate on a stepped acquisition	–	1,500
Total comprehensive income for the year	**273,265**	(373,974)
Attributable to:		
Equity holders of the parent	**273,760**	(371,409)
Non-controlling interests	**(495)**	(2,565)
From profit/(loss) for the year	**273,265**	(373,974)

Financial Statements (continued)

Consolidated Statement of Financial Position

as at 31 December 2015	Note	2015 £000	Restated (note 5) 2014 £000
Non-current assets			
Goodwill	16	**28,377**	97,832
Other intangible assets	15	**7,539**	66,271
Property, plant and equipment	17	**7,440**	14,091
Interests in associates	18	**86**	7,169
Investments	19	**–**	4,017
		43,442	189,380
Current assets			
Inventories	20	**871**	3,473
Trade and other receivables	21	**66,169**	32,863
Corporation tax assets		**8,165**	7,196
Cash	22	**103,200**	42,036
		178,405	85,568
Assets of disposal group classified as held for sale	37	**3,382**	303,674
Total current assets		**181,787**	389,242
Total assets		**225,229**	578,622
Current liabilities			
Bank overdraft	24	**–**	(4,968)
Cumulative redeemable preference shares	24	**(427)**	(500)
Other secured and unsecured loans	24	**(154)**	(2,633)
Trade and other payables	23	**(41,667)**	(71,852)
Obligations under finance leases	25	**(144)**	(1,081)
Provisions	26	**(36,704)**	(32,767)
		(79,096)	(113,801)
Liabilities of disposal group classified as held for sale	37	**(3,534)**	(182,845)
Total current liabilities		**(82,630)**	(296,646)
Non-current liabilities			
Cumulative redeemable preference shares	24	**(4,816)**	(4,947)
Obligations under finance leases	25	**(64)**	(1,080)
Provisions	26	**(306)**	(257)
Deferred tax liabilities	27	**(304)**	(11,196)
		(5,490)	(17,480)
Total liabilities		**(88,120)**	(314,126)
Net assets		**137,109**	264,496
Equity			
Share capital	28	**4,596**	65,467
Other reserves	29	**146,626**	667,707
Retained earnings	29	**(14,722)**	(472,743)
Equity attributable to equity holders of the parent		**136,500**	260,431
Non-controlling interests	38	**609**	4,065
Total equity		**137,109**	264,496

The Financial Statements of Watchstone Group plc, registered number 05542221, on pages 34 to 113 were approved and authorised for issue by the Directors on 27 May 2016 and signed on its behalf by:

Mark P Williams
Director

David Young
Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2015	Share capital	Share premium account	Reverse acquisition and merger reserve	Shares to be issued	Other equity reserves	Foreign currency translation reserve	Total other reserves	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 January 2015 (as restated (note 5))	65,467	447,533	160,795	30,744	31,036	(2,401)	667,707	(472,743)	260,431	4,065	264,496
Profit for the year	–	–	–	–	–	–	–	275,434	275,434	(495)	274,939
Other comprehensive income	–	–	–	–	–	(1,674)	(1,674)	–	(1,674)	–	(1,674)
Total comprehensive income	–	–	–	–	–	(1,674)	(1,674)	275,434	273,760	(495)	273,265
Issue of share capital (notes 28,29)	2,734	29,426	–	(21,047)	(5,652)	–	2,727	–	5,461	–	5,461
Cash out of options (note 28)	–	–	–	–	–	–	–	(11,150)	(11,150)	–	(11,150)
Effect of capital reduction and return of capital (note 28)	(63,605)	(349,708)	–	–	–	–	(349,708)	1,442	(411,871)	–	(411,871)
Shares no longer issuable (note 29)	–	–	–	(9,697)	–	–	(9,697)	9,470	(227)	–	(227)
Disposal of shares treated as held in treasury (note 29)	–	–	–	–	12,496	–	12,496	(9,750)	2,746	–	2,746
Share-based payments (note 28)	–	–	–	–	17,235	–	17,235	–	17,235	–	17,235
Other reserves movements, including transfer of realised profits to retained earnings (note 29)	–	–	(164,107)	–	(28,468)	–	(192,575)	192,575	–	–	–
Non-controlling interests disposed of	–	–	–	–	–	–	–	–	–	(2,846)	(2,846)
Exchange differences on non-controlling interests	–	–	–	–	–	115	115	–	115	(115)	–
Total transactions with owners, recognised directly in equity	(60,871)	(320,282)	(164,107)	(30,744)	(4,389)	115	(519,407)	182,587	(397,691)	(2,961)	(400,652)
At 31 December 2015	4,596	127,251	(3,312)	–	26,647	(3,960)	146,626	(14,722)	136,500	609	137,109

Financial Statements (continued)

Consolidated Statement of Changes in Equity (continued)

for the year ended 31 December 2014	Share capital	Share premium account (note 5)	Reverse acquisition and merger reserve (note 5)	Shares to be issued	Other equity reserves	Foreign currency translation reserve	Total other reserves	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 January 2014	56,700	322,905	113,857	55,505	(1,854)	(4,238)	486,175	(100,962)	441,913	3,746	445,659
Issue of share capital in respect of prior years (note 5)	–	11,278	(11,278)	–	–	–	–	–	–	–	–
At 1 January 2014 (as restated (note 5))	56,700	334,183	102,579	55,505	(1,854)	(4,238)	486,175	(100,962)	441,913	3,746	445,659
Profit for the year	–	–	–	–	–	–	–	(371,919)	(371,919)	(2,565)	(374,484)
Other comprehensive income	–	–	–	–	–	1,837	1,837	(1,327)	510	–	510
Total comprehensive income	–	–	–	–	–	1,837	1,837	(373,246)	(371,409)	(2,565)	(373,974)
Issue of share capital (restated) (note 5)	8,767	111,646	58,216	(73,802)	(2,826)	–	93,234	–	102,001	–	102,001
Shares to be issued	–	–	–	73,118	–	–	73,118	–	73,118	–	73,118
Shares no longer issuable	–	–	–	(24,077)	–	–	(24,077)	24,077	–	–	–
Shares treated as held in treasury	–	–	–	–	(36,659)	–	(36,659)	–	(36,659)	–	(36,659)
Disposal of shares treated as held in treasury	–	1,704	–	–	32,055	–	33,759	(16,432)	17,327	–	17,327
Share-based payments	–	–	–	–	17,386	–	17,386	–	17,386	–	17,386
Fair value adjustment to share consideration	–	–	–	–	22,934	–	22,934	–	22,934	–	22,934
Dividends paid (note 41)	–	–	–	–	–	–	–	(6,180)	(6,180)	–	(6,180)
Non-controlling interest at acquisition	–	–	–	–	–	–	–	–	–	45,655	45,655
Non-controlling interest acquired	–	–	–	–	–	–	–	–	–	(42,771)	(42,771)
Total transactions with owners, recognised directly in equity	8,767	113,350	58,216	(24,761)	32,890	–	179,695	1,465	189,927	2,884	192,811
At 31 December 2014 (as restated (note 5))	65,467	447,533	160,795	30,744	31,036	(2,401)	667,707	(472,743)	260,431	4,065	264,496

Consolidated Cash Flow Statement

for the year ended 31 December 2015	Note	2015 £000	2014 (restated) £000
Cash flows from operating activities			
Cash generated from operations before exceptional costs, net finance expense and tax	31	**(50,109)**	(76,774)
Cash outflow from exceptional items		**(17,983)**	(2,108)
Cash used in operations before net finance expense and tax		**(68,092)**	(78,882)
Corporation tax received/(paid)		**419**	(25,747)
Net cash used by operating activities		**(67,673)**	(104,629)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(5,636)**	(9,624)
Purchase of intangible fixed assets		**(4,285)**	(13,126)
Proceeds on disposal of property, plant and equipment		**143**	–
Proceeds from sale of investments		**1,358**	1,500
Acquisition of subsidiaries net of cash acquired		**(648)**	(8,746)
Advance receipt in respect of sale of PSD (see footnote)		**–**	8,047
Disposal of subsidiaries net of cash foregone		**575,001**	(3,849)
Purchase of associated undertakings		**–**	(500)
Purchase of fixed asset investments		**–**	(1,751)
Disposal of associated undertakings		**7,069**	–
Deposits held in escrow		**–**	(3,000)
Dividends received from associates		**109**	208
Net cash generated by/(used in) investing activities		**573,111**	(30,841)
Cash flows from financing activities			
Dividends paid		**–**	(6,180)
Issue of share capital		**1,305**	100
Capital return		**(411,871)**	–
Cash out of options		**(11,150)**	–
Finance expense paid		**(1,510)**	(2,135)
Finance income received		**1,234**	570
Finance lease repayments		**(2,738)**	(910)
Additional secured loans		**793**	6,678
Repayment of secured loans		**(30,265)**	(8,247)
Sale of shares treated as held in treasury		**2,746**	17,328
Additional unsecured loans		**–**	164
Repayment of unsecured loans		**(326)**	(1,386)
Net cash (used in)/generated by financing activities		**(451,782)**	5,982
Net increase/(decrease) in cash and cash equivalents		**53,656**	(129,488)
Cash and cash equivalents at the beginning of the year	22	**50,482**	179,954
Exchange (losses)/gains on cash and cash equivalents		**(299)**	16
Cash and cash equivalents at the end of the year	22	**103,839**	50,482
Cash and cash equivalents			
Cash		**103,839**	69,991
Bank overdrafts		**–**	(19,509)
	22	**103,839**	50,482

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

Notes to the Financial Statements

1. General information

Watchstone Group plc is a company registered and domiciled in the United Kingdom. The Financial Statements are presented in pounds sterling, to the nearest thousand, as this is the currency of the primary economic environment in which the Company operates. The address of the registered office is 1 Barnes Wallis Road, Segensworth East, Fareham, Hampshire PO15 5UA. The nature of the Group's operations and its principal activities are set out on page 9.

Consolidated Income Statement presentation

The Income Statement is presented in three columns. This presentation is intended to give a better guide to underlying business performance by separately identifying adjustments to Group results which are considered to either be exceptional in size, nature or incidence, relate to businesses which do not form part of the continuing business of the Group, or have potential significant variability year on year in non-cash items which might mask underlying trading performance (see notes 9 and 10). The columns extend down the Income Statement to allow the tax and earnings per share impacts of these transactions to be disclosed. Equivalent elements of the Group results arising in future years, including increases in or reversals of items recorded, will be disclosed in a consistent manner.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented.

Basis of preparation

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations adopted by the European Union (EU). The Financial Statements have been prepared under the historical cost convention. A summary of the significant Group accounting policies, which have been applied consistently across the Group, is set out below. The Group has reviewed its accounting policies in accordance with IAS 8 and determined that they are appropriate for the Group and have been consistently applied.

In preparing these Financial Statements the board has taken into account all available information in the application of its accounting policies and in forming judgements.

Going concern

The Group has significantly reduced its working capital requirements through the disposal of a number of non-core, loss making businesses. The Group holds significant cash reserves and no material debt. The Group has concluded that its cash reserves together with ongoing operating cash flows, and receipts of deferred contingent consideration from the disposal of the Professional Services Division ("PSD") will be sufficient to fund the ongoing operations of the Group's businesses together with any future development needs of those businesses.

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

Basis of Consolidation

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

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

Business Combinations

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

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

Assets and disposal groups held for sale

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

Revenue recognition

Revenue earned by continuing operations

The Group receives income through Software ILF (Initial Licence Fee), SaaS (Software as a Service), consulting fees, physiotherapy services, management charges, membership fees, e-commerce revenues, click fees and other success based one-time fees. Intellectual property rights ("IPR") or distribution rights to IPR are sold and recognised on the delivery of IPR or granting of the rights to the customer.

When selling software, new solution sales typically involve software licences being sold together with Post Customer Support (PCS) services and/or implementation services. Where the commercial substance of such a combination is that the individual components operate independently of each other and fair values can be attributed to each of the components, each are then recognised in accordance with their respective policies described below. Where it is not possible to attribute reliable fair values to two or more components, these are viewed as a combination and revenue is recognised on the combined revenue streams as the combined service is delivered using the percentage of completion method. Provisions for estimated losses on uncompleted contracts are recorded in the year in which such losses become probable, based on contract cost estimates.

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

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

Physiotherapy services

Revenues are recognised upon the delivery of the service by the healthcare professional.

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

Revenues are recognised when pervasive evidence of an arrangement exists, delivery has occurred, the licence or other one-time fee is fixed or determinable, the collection of the fee is reasonably assured, no significant obligations with regard to success, installation or implementation of the software or service remain, and customer acceptance, when applicable, has been obtained. On certain SaaS contracts where there are fixed and contracted term lengths and no other services are required to be performed during the remainder of the contract, receivables under the contracts are recognised at the point of sale.

Maintenance, Hosting and other PCS Services

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

Solution Delivery Implementation Services

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

Notes to the Financial Statements (continued)

Telematics Services and Devices

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

Broking Commissions

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

Broking commissions for its energy broking business is recognised when the contract between the customer and the energy supplier becomes live, and is measured at the fair value of the consideration received, or receivable when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow into the entity.

Where services are subject to clawbacks of revenue over the duration of the contract, an initial estimate of clawback is made based on historical data and an adjustment is made to the revenue already recognised.

Revenue earned by the Professional Services Division (included within discontinued operations)

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

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

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

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

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

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

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

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

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

Operating segments

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

Marketing expenses

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

Operating profit

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

Exceptional items

Exceptional items are those that in management's judgement, need to be disclosed by virtue of their size, nature or incidence, in order to draw the attention of the reader and to better show the underlying business performance of the Group. These are expected to be non-recurring material items which are outside of the Group's ordinary activities. Such items are included within the income statement caption to which they relate, and are separately disclosed either in the notes to the consolidated financial statements or on the face of the consolidated income statement.

Retirement benefit costs

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

Borrowing costs

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

Share-based payments

Warrants

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

Options

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

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

Post combination vendor remuneration

Where consideration towards an acquisition is linked to ongoing employment within the Group this consideration is not treated as a cost of the acquisition. It is treated as post combination remuneration and is recognised in the Consolidated Income Statement over the period in which the employment services are delivered. The valuation of such amounts, where the form of the payment is in shares, uses an option valuation model. Where such costs relate to employees of subsidiaries, this has been accounted for by increasing the Company's cost of investment of those subsidiaries.

Foreign currency translation

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

On consolidation the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the Statement of Financial Position date.

Notes to the Financial Statements (continued)

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

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

Goodwill

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

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

Other intangible assets

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

- IPR, software and licences: between 3-10 years;
- Data and brands: between 2-10 years; and
- Customer contracts: over the anticipated life of contracts.

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

Impairment of tangible fixed assets and intangible assets including goodwill

At each Statement of Financial Position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of the asset's value in use and its fair value less costs to sell. Value in use is calculated using cash flow projections for the asset (or group of assets where cash flows are not identifiable for specific assets) discounted at a pre-tax discount rate based on the Company's cost of capital adjusted to reflect current market assessment of time value of money and the risk specific to the asset or cash-generating unit. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense in the Statement of Comprehensive Income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Research and development expenditure – internally generated

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

Development costs are capitalised as they are incurred where these are separately identifiable and directly attributable to specific intangible assets that meet the IAS 38 (Intangible Assets) criteria whereby an intangible asset arising from development (or from the development phase of an internal project) shall be recognised if, and only if, an entity can demonstrate all of the following:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

(b) its intention to complete the intangible asset and use or sell it;

(c) its ability to use or sell the intangible asset;

(d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself

or, if it is to be used internally, the usefulness of the intangible asset;

(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Subsequent costs continue to be capitalised provided they continue to qualify under IAS 38. The intangible assets are amortised by specific asset on a straight line basis over each assets' specific economic life. Assets are evaluated annually against IAS 38 for any impairment and where identified are written down immediately in line with IAS 38.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. Depreciation is not provided on freehold land. On other assets, depreciation is calculated to write off the cost less estimated residual values over their estimated useful lives as follows:

- Freehold buildings: 2%-5% per annum straight line;
- Improvements to freehold land and buildings: 5%-10% per annum straight line;
- Improvements to leasehold land and buildings: Over the term of the lease; and
- Plant and equipment: 20%-33⅓% per annum reducing balance.

Assets in the course of construction are capitalised as expenditure is incurred. Depreciation is not charged until the asset is brought into use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease. Residual value is based on the estimated amount that would currently be obtained from disposal.

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

Associates

Associates are those entities in which the Group has significant influence, but not control. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring the venturers' unanimous consent for strategic financial and operating decisions.

Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The Consolidated Financial Statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

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

Investments

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

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

Notes to the Financial Statements (continued)

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

Leases

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

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

Inventories

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

Trade receivables

Trade receivables are held at amortised cost less any impairment provisions and this equates to their recoverable value. Movements in the impairment provision relating to credit risk are recognised within administrative expenses as bad debt expenses.

Trade payables

Trade payables do not carry any interest and are stated at their fair value.

Cash and cash equivalents

Cash in the Statement of Financial Position comprises cash at banks and in hand. For the purpose of the Consolidated Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation in respect of a past event and it is probable that settlement will be required of an amount that can be reliably estimated.

Taxation including deferred tax

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

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

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

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

Share capital

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

Deferred consideration

Deferred consideration is recognised when it is probable that future economic benefits associated with the consideration will be received and may be measured reliably. Further information is provided in note 36.

3. Adoption of new and revised Standards

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

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

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

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

Amendment to IAS 19	Defined Benefit Plans: Employee Contributions

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these Consolidated Financial Statements. None of these are expected to have a significant effect on the Consolidated Financial Statements of the Company, as follows:

Amendments to IAS 1	Disclosure Initiative
Amendments to IFRS 10, 12 and 28	Investment Entities: Applying the consolidation Exception
Annual Improvements to IFRSs	2012-2014 cycle
Amendments to IFRS 10 and 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 27	Equity method in Separate Financial Statements
IFRS 9	Financial Instruments
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of Depreciation and Amortisation
Amendments to IFRS 11	Accounting for Acquisitions of interests in Joint Operations
IFRS 14	Regulatory deferral accounts

The following standard has not been applied in preparing these Consolidated Financial Statements:

IFRS 15	'Revenue from contracts with customers'. This standard deals with revenue recognition and establishes principles for reporting useful information to users of Financial Statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard is effective for annual periods beginning on or after 1 January 2018. The Group is assessing the impact of IFRS 15.
IFRS 16	'Leases'. This standard replaces IAS 17 and changes the basis for recognising and measuring lease obligations. The major impact of the standard is to remove the concept of operating leases and recognising a related asset and liability on the Statement of Financial Position. The standard is effective for annual periods beginning on or after 1 January 2019. The Group is assessing the impact of IFRS 15.

Notes to the Financial Statements (continued)

4. Critical accounting judgements and key sources of estimation uncertainty

As set out in the basis of preparation note, in the preparation of these Financial Statements the board has taken into account all available information in the application of its accounting policies and in forming judgements. In the process of applying the Group's accounting policies, management has made a number of judgements, and the preparation of Financial Statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

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

Revenue recognition in the services division (included within discontinued operations)

The Group formed judgements as to the most appropriate accounting policy in light of the underlying contractual arrangement that is entered into with the Claimant. The key judgement in this respect is the point at which revenue will be recognised which is set out in detail in note 3.

Recognition of revenue

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

Identification of CGUs and measurement and impairment of goodwill

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

The CGUs for the Group have been determined based upon the level of integration of the businesses and where interlinking cash flows exist within each division. These CGUs are smaller than the operating segments disclosed in note 7. Further detail regarding CGUs is included in note 16. 'Other' represents those other businesses which the Group held at 31 December 2015 which have not been integrated as a result of the change in strategy and focus of management on other operational matters. These businesses are monitored at an entity level and not measured as one CGU.

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.

Capitalisation of internally generated development costs

The Company capitalises internally generated development costs where these can be clearly and fully assessed against IAS 38 as per the policy laid out in note 2. Such costs are clearly and separately identifiable by developed saleable product, with all products assessed against IAS 38. Such assessment is continuous. The amount capitalised for 2015 is laid out in note 15.

Identification of discontinued operations

The Group classifies the results of component business as discontinued where they are considered to relate to a separate major line of business or geographical area and have been disposed of, or are is classified as held for sale.

Consideration receivable for the Professional Services Division

£55,000,000 of the PSD sale consideration was placed in temporary escrow accounts and the Company has had to determine how much will be released. Total consideration for the sale of the PSD also includes deferred, contingent cash consideration and the Company has had to determine the fair value of this contingent consideration. Further detail regarding these judgements is given in note 37.

Provisions

The Group is aware of a number of legal and regulatory matters which, by their nature, are subject to significant judgement and uncertainty. All such matters are periodically assessed with the assistance of external professional advisers, where appropriate, to determine the likelihood of the Group incurring a liability and to evaluate the extent to which a reliable estimate of any liability can be made. However, the likely cost to the Group of the Serious Fraud Office ("SFO") investigation and any group litigation which may potentially be brought against the Group is subject to a number of significant uncertainties and these cannot currently be estimated reliably. Accordingly, no provision has been made in respect of these matters.

Deferred tax in connection with the continuing business operations

Other taxable losses have arisen during the year ended 31 December 2015 which have the potential to give rise to a deferred tax asset. This asset has not been recognised due to the extent of the continuing business losses incurred in 2015 including head office costs, and the developing nature of the continuing businesses such that the expectation of profitability at sufficient quantum was not sufficiently certain within a reasonable timeframe.

Classification of underlying and non-underlying results

Management is required to exercise its judgement in the classification of certain items as exceptional and outside of the Group's underlying results. The determination of whether an item should be separately disclosed as an exceptional item or other adjustments requires judgement on its nature and incidence, as well as whether it provides clarity on the Group's underlying trading performance. In exercising this judgement, Management take appropriate regard of IAS 1 "Presentation of financial statements" as well as guidance issued by the Financial Reporting Council on the reporting of exceptional items.

5. Restatement of prior year

Classification of depreciation on Telematics devices

Telematics devices awaiting fitment are held as inventory until they generate revenue for the business, at which point they are transferred to property, plant and equipment and depreciated. In the previously presented Annual Report and Financial Statements for the year ended 31 December 2014, £1,305,000 of depreciation on these devices was included within normal administrative expenses. This depreciation should have been classified within cost of sales, since this directly relates to the revenue earned from the device. The amounts presented relating to the year ended 31 December 2014 have therefore been restated to reflect this change. The impact of this change is to reduce gross profit for the year ended 31 December 2014 by £1,305,000 and to reduce normal administrative expenses by £1,305,000. There is no impact upon the loss for that year or upon the Consolidated Statement of Financial Position as at 31 December 2014.

As part of this review, it was also identified that within note 17, Property, plant and equipment, £1,100,000 of depreciation on Telematics devices for 2014 had been incorrectly reflected as a deduction from additions. This has been corrected within note 17 and increases additions in the year ended 31 December 2014 by £1,100,000 and the depreciation charge for the year by £1,100,000. This is purely a restatement of movements within the Property, plant and equipment note and has no impact on the Consolidated Income Statement for that year or the Consolidated Statement of Financial Position as at 31 December 2014.

Classification of a provision within Trade and other Payables

In the previously presented Annual Report and Financial Statements for the year ended 31 December 2014 a number of provisions totalling £1,958,000 were incorrectly included within Trade and Other Payables at 31 December 2014. This amount has now been re-categorised to provisions within the Statement of Financial Position at 31 December 2014 within these Financial Statements. There is no impact on the loss for that year or the net assets as at 31 December 2014.

Notes to the Financial Statements (continued)

Reclassification between share premium and merger reserve

The share premium and reverse acquisition and merger reserves have been restated to reclassify £6,185,000 in respect of the year ended 31 December 2014 and £11,278,000 in respect of years prior to 2014 to the share premium account from the reverse acquisition and merger reserve to appropriately reflect the accounting required under the Companies Act 2006 for the premium arising on the shares issued by Watchstone Group plc as part of a number of acquisitions in those years. The impact of this in 2014 is to change the issue of share capital within share premium from £105,461,000 to £111,646,000 and within reverse acquisition and merger reserve from £64,401,000 to £58,216,000. There is no impact on the loss for the year ended 31 December 2014 or prior years or the net assets as at 31 December 2014 or prior years as a result of these reclassifications.

Disclosure of Associates

In the previously presented Annual Report and Financial Statements for the year ended 31 December 2014 the inclusion of BE Insulated (UK) Limited ("BEI") as an associated undertaking was omitted from the disclosure of associates. This has now been reflected in note 18.

6. Key performance indicators

	2015	Restated (note 5) 2014
	£000	£000
Revenue:		
Hubio	**17,341**	17,505
Ingenie	**12,530**	5,933
Healthcare services	**25,147**	27,712
Other	**3,238**	5,351
Total underlying revenue	**58,256**	56,501
Underlying gross profit margin	**43.3%**	33.5%
Underlying EBITDA (note 7)	**(16,080)**	(16,780)
Underlying group operating profit/(loss) (note 7)	**(22,207)**	(22,991)
Underlying basic earnings (pence per share) from continuing operations (note 14)	**(40.4)**	(60.9)
Cash (continuing businesses)	**103,200**	42,036
Total average number of employees (continuing operations)	**1,426**	1,631

* Depreciation added back above when calculating Adjusted EBITDA from continuing operations excludes depreciation on telematics devices of £4,176,000 (2014: £2,405,000) which is included within cost of sales.

7. Business and geographical segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker and represent four divisions supported by a Group cost centre (denoted as Central below). The principal activities of each segment are as follows. Hubio: a provider of telematics and insurance technology solutions. Ingenie: Telematics based insurance broking. Healthcare Services: A Canadian based physiotherapy network. "Other" includes a number of businesses including Business Advisory Service Limited ("BAS"), an energy brokerage and Maine Finance Limited ("Maine Finance"), a life insurance broker.

Within the results of the discontinued operation are the PSD, disposed of to Slater and Gordon UK (1) Limited ("S&G") in May 2015, and Quintica Holdings Limited ("Quintica") and property services both disposed of in 2016.

Segment information about these businesses is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Intra-segmental transactions have been eliminated in analysis below.

	Hubio	Ingenie	Healthcare services	Other	Central	Total
Restated year ended 31 December 2014 (note 5)	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Revenue	17,505	5,933	27,712	5,351	–	56,501
Cost of sales	(11,091)	(4,035)	(15,323)	(7,120)	–	(37,569)
Gross profit	6,414	1,898	12,389	(1,769)	–	18,932
Administrative expenses excluding depreciation and amortisation*	(11,648)	(2,318)	(12,577)	(1,194)	(7,975)	(35,712)
Underlying EBITDA before central cost allocation	(5,234)	(420)	(188)	(2,963)	(7,975)	(16,780)
Allocation of central costs	(850)	(400)	(109)	(326)	1,685	–
Underlying adjusted EBITDA	(6,084)	(820)	(297)	(3,289)	(6,290)	(16,780)
Depreciation and amortisation*						(6,489)
Share of results from associates						278
Underlying group operating loss						(22,991)
Net finance expense						(465)
Underlying group loss before tax						(23,456)
Non-underlying adjustments						(181,852)
Total group loss before tax from continuing operations						(205,308)

	Hubio	Ingenie	Healthcare services	Other	Central	Total
Year ended 31 December 2015	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Revenue	**17,341**	**12,530**	**25,147**	**3,238**	**–**	**58,256**
Cost of sales	**(9,600)**	**(7,451)**	**(13,864)**	**(2,110)**	**–**	**(33,025)**
Gross profit	**7,741**	**5,079**	**11,283**	**1,128**	**–**	**25,231**
Administrative expenses excluding depreciation and amortisation*	**(14,966)**	**(4,262)**	**(11,288)**	**(1,920)**	**(8,875)**	**(41,311)**
Underlying EBITDA before central cost allocation	**(7,225)**	**817**	**(5)**	**(792)**	**(8,875)**	**(16,080)**
Allocation of central costs	**(1,983)**	**(333)**	**(319)**	**(876)**	**3,511**	**–**
Underlying adjusted EBITDA	**(9,208)**	**484**	**(324)**	**(1,668)**	**(5,364)**	**(16,080)**
Depreciation and amortisation*						**(6,230)**
Share of results from associates						**103**
Underlying group operating loss						**(22,207)**
Net finance expense						**(339)**
Underlying group loss before tax						**(22,546)**
Non-underlying adjustments						**(155,442)**
Total group loss before tax from continuing operations						**(177,988)**

* Depreciation added back above when calculating Underlying EBITDA from continuing operations excludes depreciation on telematics devices of £4,176,000 (2014: £2,405,000) which is included within cost of sales.

Notes to the Financial Statements (continued)

	United Kingdom	Canada	USA	Rest of World	Total
	£000	£000	£000	£000	£000
Year ended 31 December 2014					
Revenue – underlying	23,035	30,080	3,498	2,680	59,293
Other segment information					
Total non-current assets	70,497	16,993	97,549	4,341	189,380
Capital expenditure					
Tangible assets	8,844	2,090	2,101	72	13,107
Intangible assets	134,372	2,850	125,928	–	263,150
Year ended 31 December 2015					
Revenue – underlying	**25,603**	**28,466**	**4,187**	**–**	**58,256**
Other segment information					
Total non-current assets	**31,779**	**11,614**	**–**	**49**	**43,442**
Capital expenditure					
Tangible assets	**4,639**	**283**	**489**	**24**	**5,435**
Intangible assets	**5,381**	**2,125**	**2,240**	**–**	**9,746**

8. Operating loss

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

	2015	Restated (note 5) 2014
	£000	£000
Depreciation of property, plant and equipment	**6,035**	6,098
Amortisation of intangible assets	**15,250**	33,172
Operating lease rentals	**292**	165
Finished goods inventories expensed	**3,851**	3,046
Net foreign exchange (gains)/losses	**(500)**	209
Auditor's remuneration	**1,892**	1,370
Unused provisions released:		
– Underlying business	**(1,130)**	(10)
– Non-underlying	**(8,124)**	–
Staff costs (note 11)	**46,837**	50,811

Depreciation of £4,176,000 (2014: £2,405,000) relates to telematics devices which is included within cost of sales.

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

	2015	2014
	£000	£000
Fees payable to the Company's Auditor and its associates for the audit of the Parent Company and Consolidated Financial Statements	**372**	420
Fees payable to the Company's Auditor and its associates for other services:		
– Additional amounts in relation to the prior year audit	**834**	–
– The audit of the Company's subsidiaries	**304**	530
– Audit-related services	**50**	50
– Other assurance services	**332**	–
– Corporate finance services	**–**	370
	1,892	1,370

9. Non-underlying administrative expenses

	2015	2014
	£000	£000
Exceptional items:		
– Corporate restructuring (note 28)	**8,724**	8,937
– Business restructuring	**2,763**	2,910
– Legal and regulatory	**7,055**	7,961
– Share based payments (note 28)	**3,914**	13,283
– Impairments of non-cash assets	**113,510**	129,116
– Loss of control over subsidiary (note 36)	**–**	5,841
Total exceptional items	**135,966**	168,048
Other adjustments:		
– Share based payments	**7,874**	5,867
– Amortisation of acquired intangibles	**10,957**	12,141
– Other non-underlying administrative expenses	**2,771**	14,341
Total other adjustments	**21,602**	32,349
Total non-underlying administrative expenses	**157,568**	200,397

Other non-underlying administrative expenses relate principally to central costs associated with discontinued operations.

Impairments of non-cash assets above relates to:

	2015	2014
	£000	£000
Goodwill	**61,836**	99,151
Other intangible assets	**44,616**	8,971
Tangible fixed assets	**1,861**	661
Associated undertakings	**–**	1,338
Investments	**2,691**	1,830
Stocks	**2,506**	1,079
Loans	**–**	16,086
	113,510	129,116

The corporate restructuring costs of £8,724,000 (2014: £8,937,000) for the year ended 31 December 2015 are stated after taking into account the release of unused provisions of £2,586,000 (2014: £nil). These provisions were established prior to the year ended 31 December 2014. Corporate restructuring costs consist of acquisition related fees of £12,000 credit (2014: £2,798,000 charge), employers national insurance contributions in respect of the cashing out of options of £243,000 (2014: £nil), costs of raising finance of £nil (2014: £6,139,000), working capital and strategic review costs of £6,666,000 (2014: £nil) and costs associated with the return of capital of £1,827,000 (2014: £nil).

Business restructuring includes costs in relation to the creation of Hubio and the revised structure of the group.

The legal and regulatory costs of £7,055,000 for the year ended 31 December 2015 are stated after taking into account the release of unused provisions of £5,538,000, which were created in 2014 and £12,593,000 of costs in relation to the known historical issues.

Notes to the Financial Statements (continued)

10. Other income

Continuing operations:

	2015	2014
	£000	£000
Net gain on re-measurement of investments on becoming associates and associates on acquisition of control	–	18,001
Profit on disposal of subsidiary undertakings	3,329	–
Loss on disposal of fixed asset investments	(1,358)	–
	1,971	18,001

The net gain on re-measurement of investments in 2014 comprised the following movements: (a) on acquisition of control of Himex of £15,472,000; (b) on Ingenie, a gain of £7,564,000 and a loss of £3,535,000 on acquisition of control; and (c) a loss of £1,500,000 on reclassification of SMI from investment to associate. Further information is available in note 18 and note 36.

In the year ended 31 December 2015, the profit on disposal of subsidiary undertakings related to the disposal of 360GlobalNet and loss on disposal of fixed asset investments in respect of 360ViewMax.

Other non-underlying administrative expenses relate principally to central costs associated with discontinued operations.

11. Employee numbers

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

	2015	2014
	Number	Number
Front office technology, consulting and outsourcing	953	1,166
Back office management and administration	473	465
	1,426	1,631

There were 168 employees relating to the disposal group classified as held for sale (2014: 2,465) split between front office technology, consulting and outsourcing 95 (2014: 1,495) and back office management and administration 73 (2014: 970).

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

	2015	2014
	£000	£000
Emoluments	1,763	3,884
Compensation for loss of office	575	1,480

The emoluments of the highest paid Director were £530,000 (2014: £1,976,000). The Director did not exercise any share options or receive any shares as part of a long term incentive plan. No retirement benefits were accruing under any schemes in respect of any of the Directors (2014: nil). Two Directors received a total of £51,000 (2014: one Director a total of £61,000) in connection with contributions to pension schemes. Further details are provided in the Directors' Remuneration Report and in particular the tables on page 24 form part of this note to the Financial Statements.

Total employee costs for continuing operations were as follows:

	2015	2014
	£000	£000
Wages and salaries	37,494	44,530
Social security costs	2,611	5,061
Pension costs	274	267
Share-based payment charges	10,978	7,432
	51,357	57,290

Included in the total above are £4,520,000 (2014: £6,479,000) of salaries which were capitalised during the year in relation to software development.

12. Net finance income/expense

Continuing operations:

	2015	2014
	£000	£000
Bank interest receivable	1,236	417
Interest payable on bank loans and overdrafts	(169)	(269)
Interest on obligations under finance leases	(305)	(103)
Foreign exchange loss on intercompany trading	(547)	–
Other interest payable	(554)	(510)
Total interest payable	(1,575)	(882)
Net finance expense	(339)	(465)

13. Taxation

Continuing operations:

	2015	2014
	£000	£000
The taxation (credit)/charge comprises:		
Current tax:		
– Current year	–	132
– Adjustments in respect of prior year	(2,062)	921
Total current tax	(2,062)	1,053
Deferred tax:		
– Current year	(12,408)	(1,213)
– Adjustments in respect of changes in tax rates	(180)	(7)
– Adjustments in respect of prior year	1,460	2,943
Total deferred tax	(11,128)	1,723
Taxation	(13,190)	2,776

The tax provision in the 2014 accounts took a cautious approach when estimating the corporation tax refund that would be claimed when carrying back the 2014 losses and restating the 2013 computations. The approach taken in the computations that were finally submitted resulted in a higher refund of tax previously paid.

Notes to the Financial Statements (continued)

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

	2015	2014
	£000	£000
Loss on ordinary activities before tax from continuing operations	**(177,988)**	(205,308)
Tax at 20.25% (2014: 21.50%) thereon	**(36,036)**	(44,127)
Effect of:		
Expenses not deductible for tax purposes	**10,278**	4,579
Unprovided deferred tax on losses	**6,088**	11,891
Intangible and investment impairments	**7,250**	26,556
Other short term timing differences	**13**	–
Research and development tax credit claim	**–**	(131)
Reduction in rate of deferred tax	**(181)**	144
Adjustments to tax charge in respect of prior periods	**(602)**	3,864
Total tax (credit)/charge for the year	**(13,190)**	2,776

The tax impact of the items included in the Consolidated Statement of Comprehensive Income is £nil (2014: £nil).

Deferred tax assets are recognised for tax losses available for carrying forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The continuing businesses have recognised deferred tax assets of £nil (2014: £nil) in respect of losses amounting to £nil (2014: £nil) that can be carried forward against future taxable income.

The total amount of goodwill that is expected to be deductible for tax for continuing businesses is £1,042,000 (2014: £20,106,000).

Factors affecting future tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the Company’s future current tax charge accordingly. The deferred tax liability at 31 December 2015 has been calculated based on these rates.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the Company’s future current tax charge accordingly and reduce the deferred tax liability at 31 December 2015 by £3,000.

14. Earnings per share

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

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

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

	2015	2014
	£000	£000
Profit/(loss) attributable to ordinary shareholders	**275,434**	(371,919)
Net (gain)/loss from discontinued operations (including profit on disposal from discontinued operations)	**(439,737)**	166,400
Loss attributable to ordinary shareholders from continuing activities:	**(164,303)**	(205,519)
Other adjustments in respect of non-underlying results:		
– Gross profit/(loss)	**(155)**	(110)
– Non-recurring administrative expenses	**157,568**	200,397
– Other income	**(1,971)**	(18,001)
– Share of results of associates	**–**	(434)
– Tax effect on the above	**(9,419)**	(2,124)
Underlying loss attributable to ordinary shareholders	**(18,280)**	(25,791)
Basic weighted average number of shares	**45,229,213**	42,316,367
Dilutive potential ordinary shares	**–**	–
Diluted weighted average number of shares	**45,229,213**	42,316,367

Due to their anti-dilutive effect in 2015 and in 2014, options which could potentially be exercised after the balance sheet date have not been included in the calculation of diluted earnings per share and underlying diluted earnings per share in 2015.

	2015	2014
	Pence	Pence
Earnings/(loss) per share (pence):		
– Basic	**609.0**	(878.9)
– Diluted	**609.0**	(878.9)
Loss per share from continuing operations (pence):		
– Basic	**(363.3)**	(485.7)
– Diluted	**(363.3)**	(485.7)
Underlying loss per share (pence):		
– Basic	**(40.4)**	(60.9)
– Diluted	**(40.4)**	(60.9)
Earnings/(loss) per share from discontinued operations (pence):		
– Basic	**972.2**	(393.2)
– Diluted	**972.2**	(393.2)

After the balance sheet date, the Company issued a further 75,000 shares of 10 pence in respect of an exercise of options.

Notes to the Financial Statements (continued)

15. Intangible assets

	Note	2015 £000	2014 £000
Other intangible assets		**7,539**	66,271
Goodwill	16	**28,377**	97,832
		35,916	164,103

The movement in other intangible assets was as follows:

	Customer contracts, data, brands and relationships £000	IPR, software and licences £000	Total £000
Cost			
At 1 January 2014	116,290	20,069	136,359
Acquired with subsidiary (note 36)	59,450	–	59,450
Additions – internally generated	–	10,062	10,062
Additions – purchased	77	2,827	2,904
Transfer to assets of disposal group classified as held for sale	(105,039)	(5,531)	(110,570)
Exchange differences	–	169	169
At 1 January 2015	**70,778**	**27,596**	**98,374**
Additions – internally generated	**361**	**29**	**390**
Additions – purchased	**–**	**4,520**	**4,520**
Transfer to assets of disposal group classified as held for sale	**(147)**	**–**	**(147)**
Disposals	**(1,444)**	**(3,020)**	**(4,464)**
Exchange differences	**–**	**(291)**	**(291)**
At 31 December 2015	**69,548**	**28,834**	**98,382**
Amortisation			
At 1 January 2014	73,041	4,417	77,458
Charge for the year	28,210	4,962	33,172
Impairments	1,025	8,377	9,402
Transfer to assets of disposal group classified as held for sale	(85,107)	(2,865)	(87,972)
Exchange differences	–	43	43
At 1 January 2015	**17,169**	**14,934**	**32,103**
Charge for the year	**11,452**	**3,798**	**15,250**
Impairments	**36,174**	**8,442**	**44,616**
Transfer to assets of disposal group classified as held for sale	**(83)**	**–**	**(83)**
Disposals	**(284)**	**(668)**	**(952)**
Exchange differences	**–**	**(91)**	**(91)**
At 31 December 2015	**64,428**	**26,415**	**90,843**
Net book value			
31 December 2015	**5,120**	**2,419**	**7,539**
31 December 2014	53,609	12,662	66,271

Amortisation relating to discontinued activities during the year ended 31 December 2015 was £1,568,000 (2014: £16,823,000). Impairment charges of £64,000 (2014: £nil) were recognised in the Consolidated Income Statement in the year in respect of discontinued activities. During the year ended 31 December 2015, £4,034,000 of research and development was taken directly to profit and loss (2014: £28,000).

Brands are included within customer contracts, data, brands and relationships. The carrying value of brands at 1 January 2015 was £14,335,000 (2014: £10,033,000) with amortisation charged in the year of £1,245,000 (2014: £1,098,000) and impairment charges of £1,367,000 (2014: £nil) recognised in the Consolidated Income Statement in the year. Brands acquired with subsidiaries were £nil (2014: £5,400,000) and brands with a carrying value of £9,085,000 (2014: £nil) were disposed of in the year (as part of the sale of the PSD). The carrying value at 31 December 2015 was £2,638,000 (2014: £14,335,000).

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

The Group has conducted a review of all intangible assets at the balance sheet date and identified further assets previously valued at £19,789,000 (2014: £5,402,000) which are or will become obsolete, either because they are unused and are expected to remain so or will be replaced by other similar and existing assets held by the Group at the balance sheet date.

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

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

	Fair value degree observable	**2015**	2014
		£000	£000
Non-current assets:			
Other intangible assets	Level 3	**4,795**	59,450

The fair value degree represents unobservable inputs as they are based on an assessment of assets acquired. Where valuation techniques have been used the key inputs included an assessment of future performance and cash flows, growth rates, appropriate discount rate, the valuation of assembled workforces and contributory asset charges. The sensitivity to the unobservable inputs is not considered significant as the only impact of these fair values is an amortisation charge in the Consolidated Income Statement from separable intangibles identified on acquisitions.

Notes to the Financial Statements (continued)

16. Goodwill

The movement in goodwill is as follows:

	Goodwill
	£000
Cost	
At 1 January 2014	194,969
Additions – purchased	159
Arising on acquisition of subsidiaries (note 36)	219,760
Arising on acquisition of subsidiaries – 2013 acquisitions assessment period change (note 36)	1,010
Disposal of a subsidiary (note 37)	(62,589)
Transfer of assets of disposal group classified as held for sale	(125,851)
Exchange differences	(972)
At 1 January 2015	**226,486**
Additions – purchased	**511**
Arising on acquisition of subsidiaries (note 36)	**4,325**
Disposal of a subsidiary (note 37)	**(4,875)**
Transfer to assets of disposal group classified as held for sale	**(36,028)**
Exchange differences	**(4,503)**
At 31 December 2015	**185,916**
Impairment	
At 1 January 2014	2,022
Charge for the year	126,632
Transfer to assets of disposal group classified as held for sale	–
At 1 January 2015	**128,654**
Charge for the year	**61,836**
Disposal of a subsidiary (note 37)	**(1,836)**
Transfer to assets of disposal group classified as held for sale	**(27,487)**
Exchange differences	**(3,628)**
At 31 December 2015	**157,539**
Net book value	
31 December 2015	**28,377**
31 December 2014	97,832

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

	2015	2014
	£000	£000
Hubio USA	–	36,670
Hubio UK	**171**	4,896
Hubio Canada	–	–
Road Angel	**2,972**	9,855
Total Hubio	**3,143**	51,421
Ingenie	**14,674**	28,232
Healthcare services	**6,889**	7,253
Other UK	**3,671**	6,710
Other non-UK	–	4,216
	28,377	97,832

The categorisation and description of the Group's CGUs has been revised in 2015 following a recent strategic review performed by management.

The Road Angel business (providers of GPS based safety camera and other such products for the UK consumer and commercial markets) which formed part of the Himex acquisition in 2014 is now treated as a separate CGU. The remaining Himex businesses (which currently operate largely in the Usage Based Insurance (UBI) markets in the USA) form the 'Hubio USA' CGU.

The other core strategic CGUs have been renamed in line with the Group's recent branding changes: 'Solutions UK' is now 'Hubio UK', 'Solutions Non-UK' is 'Hubio Canada' and 'Services Non-UK' is 'Healthcare Services'.

'Other' continues to represent those other businesses which have not been integrated as a result of the change in strategy and focus of management on other operational matters. This 'Other' category now, as a result of the change in strategic focus, also includes both the BAS and Maine Finance operations (which were categorised as 'Services UK' at 31 December 2014). At 31 December 2015, these are the only two businesses in the 'Other' category as 360 was disposed in 2015 and both Quintica and the property services businesses are treated as held for sale at the year end, see note 37. All of the businesses in the 'Other' category continue to be monitored at an entity level and not measured as one CGU.

Basis of valuation and key assumptions for impairment testing of goodwill and intangible assets

The recoverable amount of goodwill for businesses at the year-end is determined on the basis of Value in Use, using a discounted cash flow ("DCF") appraisal based on periods of between 5 and 7 years (2014: all were based on 11 years) to reflect the maturity of the businesses and/or markets they operate in. External market data has been used where possible and the Group has also drawn upon data used in the strategic review. Other CGUs use growth assumptions which are more reflective of past experience.

For each of the CGUs with significant amount of goodwill, the key assumptions used in the Value-in-Use calculations and recoverable amounts of goodwill are stated below.

2015	Hubio USA	Road Angel	Hubio UK	Ingenie	Healthcare Services	Other*
Long term growth rate	2%	2%	2%	2%	2%	2%
DCF appraisal period	7 years	7 years	7 years	7 years	5 years	5 years
Annualised revenue growth over DCF appraisal period	21%	9%	9%	6%	8%	6%
Pre-tax discount rate	32%	17%	17%	18%	13%	12%
Recoverable amount of goodwill (m)	£nil	£3.0	£0.2	£14.7	£6.9	£3.7

2014	Hubio USA	Road Angel	Hubio UK	Ingenie	Healthcare Services	Other*
Long term growth rate	2%	2%	2%	2%	2%	2%
DCF appraisal period	11 years	11 years	11 years	11 years	11 years	11 years
Annualised revenue growth over DCF appraisal period	44%	44%	10%	17%	5%	5% & 8%
Pre-tax discount rate	50%	50%	15%	19%	13%	13%
Recoverable amount of goodwill (m)	£36.6	£9.9	£4.9	£28.2	£7.3	£7.9

* In 2014 only, 'Other' relates to just Quintica and BAS, for which annualised revenue growth was 5% and 8% respectively. 360 had been omitted from the table (as goodwill was carried at the recoverable amount based on its post year end sale) and Maine Finance was fully impaired at 31 December 2014. In 2015, 'Other' relates to BAS only.

Annualised revenue growth rates vary by operating division depending on the current development to maturity of the CGU. In determining the applicable discount rate, management has applied judgement in respect of several factors, including, inter alia, assessing the risk attached to future cashflows. Pre-tax discount rates have been assessed for each CGU. The discount rate for Hubio USA reflects uncertainty caused by the Evogi litigation and the risks associated with developing an immature market. The discount rate for Ingenie also reflects uncertainty in developing an immature market. Discount rates in the Road Angel, and Healthcare Services CGUs, as well as in the 'Other' category, are generally lower reflecting the reduced risk associated with those more mature markets while the discount rate for Hubio UK is slightly higher due to the increased risk in that market.

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Notes to the Financial Statements (continued)

Movement in Goodwill by CGU

The movement in goodwill by CGU is as follows:

	2014	Arising in the year less disposal	Asset group held for sale	Other	Impairment	2015
	£000	£000	£000	£000	£000	£000
Hubio USA	36,670	–	–	–	(36,670)	**–**
Hubio UK	4,896	–	–	–	(4,725)	**171**
Hubio Canada	–	–	–	–	–	**–**
Road Angel	9,855	–	–	–	(6,883)	**2,972**
Total Hubio	**51,421**	**–**	**–**	**–**	**(48,278)**	**3,143**
Ingenie	28,232	–	–	–	(13,558)	**14,674**
Healthcare Services	7,253	511	–	(875)	–	**6,889**
Other (continuing)	6,710	(3,039)	–	–	–	**3,671**
Continuing operations	**93,616**	**(2,528)**	**–**	**(875)**	**(61,836)**	**28,377**
Other (discontinued)	4,216	4,325	(185)	–	**(8,356)**	**–**
	97,832	**1,797**	**(185)**	**(875)**	**(70,192)**	**28,377**

Impairment charges of £36.7m and £6.9m arose in Hubio USA and Road Angel respectively following an in depth review of the strategic direction of these businesses, its underlying operations and development activity. This has resulted in a major rebasing of the Hubio USA forecasts that had been previously provided by local management, all of whom are now no longer involved in these businesses. Goodwill allocated to the Road Angel CGU would be impaired by a further £311,000 if there was an increase in the pre-tax discount rate of 1 ppt or would be impaired by a further £209,000 if the long term growth rate was reduced by 1 ppt.

An impairment charge of £13.6m arose in Ingenie which largely reflects a different strategic direction adopted for this business together with certain trading assumption changes which have lowered the forecasts down to more attainable levels. Goodwill allocated to the Ingenie CGU would be impaired by a further £1,172,000 if there was an increase in the pre-tax discount rate of 1 ppt or would be impaired by a further £747,000 if the long term growth rate was reduced by 1 ppt.

Goodwill within Hubio UK has been impaired by a charge of £4.7m during the year to take into account the impact of the adverse publicity surrounding the Group during 2014 and disruption to its development program which has caused delays to securing contracts and implementing pipeline opportunities. Goodwill allocated to the Hubio UK CGU would be fully impaired if there was an increase in the pre-tax discount rate of 0.3 ppt or if the long term growth rate was reduced by 0.4 ppt.

£8.4m of impairment charges have been reflected in discontinued activities to reduce these goodwill assets to realisable value based on the terms of the post year-end sales of Quintica, BEI and Carbon Reduction Company (UK) Limited (“CRC”), see note 37.

17. Property, plant and equipment

	Freehold land and buildings	Leasehold land and buildings	Plant and equipment	Total
	£000	£000	£000	£000
Cost				
At 1 January 2014	4,652	2,213	7,767	14,632
Additions restated (note 5)	150	459	10,803	11,412
Acquired on acquisition of subsidiaries (note 36)	–	–	2,729	2,729
Disposals	–	–	(499)	(499)
Transfer to assets of disposal group classified as held for sale	(1,228)	(178)	(5,557)	(6,963)
Exchange differences	(8)	(71)	(84)	(163)
At 1 January 2015 restated (note 5)	**3,566**	**2,423**	**15,159**	**21,148**
Additions	**29**	**128**	**5,278**	**5,435**
Disposals	**(1,270)**	**(225)**	**(8,462)**	**(9,957)**
Transfer to assets of disposal group classified as held for sale	**–**	**–**	**(806)**	**(806)**
Exchange differences	**(6)**	**(436)**	**(624)**	**(1,066)**
At 31 December 2015	**2,319**	**1,890**	**10,545**	**14,754**
Depreciation				
At 1 January 2014	1,481	406	3,388	5,275
Charge for the year restated (note 5)	509	292	5,297	6,098
Impairments	–	–	661	661
Disposals	–	–	(298)	(298)
Transfer to assets of disposal group classified as held for sale	(136)	(171)	(4,287)	(4,594)
Exchange differences	–	(30)	(55)	(85)
At 1 January 2015 restated (note 36)	**1,854**	**497**	**4,706**	**7,057**
Charge for the year	**125**	**124**	**5,786**	**6,035**
Impairments	**–**	**–**	**1,861**	**1,861**
Disposals	**(1,186)**	**(163)**	**(4,998)**	**(6,347)**
Transfer to assets of disposal group classified as held for sale	**–**	**–**	**(645)**	**(645)**
Exchange differences	**–**	**(234)**	**(413)**	**(647)**
At 31 December 2015	**793**	**224**	**6,297**	**7,314**
Net book value				
31 December 2015	**1,526**	**1,666**	**4,248**	**7,440**
31 December 2014	1,712	1,926	10,453	14,091

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

Depreciation of £298,000 (2014: £864,000) was charged in the year on assets of the disposal groups classified as held for sale.

Assets with a net book value of £13,000 (2014: £1,724,000) are held under finance leases, on which depreciation of £382,000 (2014: £681,000) was charged in the year.

Telematics devices which are included as part of the services to end uses were held with a net book value of £4,865,000 (2014: £5,793,000) on which depreciation of £4,176,000 (2014: 2,405,000) was charged in the year. The depreciation on these devices is included within Cost of Sales.

Notes to the Financial Statements (continued)

18. Associates

Set out below are the associates of the Group at 31 December 2015. The share capital of the associates listed below consists solely of ordinary shares which are held by the Group; the country of incorporation or registration is also their principal place of business.

Name of entity	Country of incorporation	% ownership interest	Nature of the relationship	Measurement method
Ferneham Health Limited	England and Wales	49.0%	Associate	Equity

Reconciliation of summarised financial information

	Nationwide Accident Repair Services plc ("NARS")	Ingenie Limited ("Ingenie")	Himex Limited ("Himex")	Other	Total
	£000	£000	£000	£000	£000
2015					
Opening net assets/(liabilities) at 1 January 2015	**(4,624)**	**–**	**–**	**495**	**(4,129)**
Reclassified as subsidiary undertaking	**–**	**–**	**–**	**(497)**	**(497)**
Additions	**–**	**–**	**–**	**10,040**	**10,040**
Disposals	**4,624**	**–**	**–**	**(10,040)**	**(5,416)**
Closing net liabilities	**–**	**–**	**–**	**(2)**	**(2)**
Group's share of net liabilities	**–**	**–**	**–**	**–**	**–**
Consolidation and other adjustments	**–**	**–**	**–**	**100**	**100**
Impairment	**–**	**–**	**–**	**(14)**	**(14)**
Carrying value	**–**	**–**	**–**	**86**	**86**

	NARS	Ingenie	Himex	Other	Total
	£000	£000	£000	£000	£000
2014 Restated (note 5)					
Opening net assets/(liabilities) at 1 January 2014	(47)	4,131	19,106	(323)	22,867
On transfer from investments	–	–	–	(3)	(3)
Profit for the year/period to reclassification	670	–	–	821	1,491
Reclassified as a subsidiary undertaking	–	(4,131)	–	–	(4,131)
Dividends in the year	(1,253)	–	–	–	(1,253)
Other comprehensive income	(3,994)	–	–	–	(3,994)
On transfer from subsidiary undertaking	–	4,070	–	–	4,070
Profit for the interim period to reclassification	–	(121)	–	–	(121)
Reclassified as a subsidiary undertaking	–	(3,949)	(19,106)	–	(23,055)
Closing net (liabilities)/assets	(4,624)	–	–	495	(4,129)
Group's share of net (liabilities)/assets	(1,170)	–	–	249	(921)
Consolidation and other adjustments	9,577	–	–	(149)	9,428
Impairment	(1,338)	–	–	–	(1,338)
Carrying value	7,069	–	–	100	7,169

During 2014, Quob Park Solutions Limited ("QP Solutions") (formerly Quob Park Technologies Limited, and prior, to that, SMI Technologies Limited) was reclassified from an Investment to an Associate during when the Group obtained the option to increase its investment increased from 19% to 33%. The investment was impaired to £nil prior to becoming an Associate and was held at a carrying value of £nil. In December 2015 QP Solutions issued further share capital diluting the Group's ownership from 33% to 5.3%. As a consequence of the dilution the Group ceased treating the investment as an associated undertaking, further details are provided in note 19.

In January 2015, the Group disposed of 10.0% of its holding in 360Globalnet ("360G") which reduced the Group's holding in 360G to 49.8%. 360G was previously accounted for in the Group's results as a Subsidiary. As a result of this disposal, the criteria required (under IFRS 10 Consolidated Financial Statements) to continue to recognise 360G as a Subsidiary were no longer met

so the business was deconsolidated at this point and treated as an Associate. The fair value of the 360G Associate recognised in January 2016 in the group's results was £5m. In May 2015, the remaining 49.8% interest held in 360G were disposed by the Group which resulted in £nil profit on disposal.

On 4 March 2015, the Group disposed of its minority investment in NARS for its carrying value of £7,069,000 and consequently recognised no gain or loss in the year. Also in March 2015, the Group purchased the remaining share capital of BEI (Included within 'Other'), at which point the investment was reclassified as a subsidiary undertaking. This was subsequently disposed of in 2016, more details are provided in note 37.

Himex became a subsidiary during 2014. In February 2014, Ingenie was initially accounted for as a subsidiary. Consequently, management believes that Quindell lost control of Ingenie in May 2014 (so it was then accounted for as an associate) but then regained control in July 2014 upon signing the accelerated option agreements so it has since been accounted for as a subsidiary. On 20 January 2016, Himex Limited changed its name to Hubio Solutions Limited.

19. Investments

	Fair value degree observable	**2015**	2014
		£000	£000
Investments carried at fair value	Level 3	**–**	4,017

In note 33, a definition is given to record the degree to which fair values are observable. These are grouped into three levels: Level 1, Level 2 and Level 3. Where fair value calculations have been performed for investments, the level is disclosed above under "fair value degree observable". The fair value degree represents unobservable inputs as they are based on unquoted entities – as listed in note 47.

	Shares in investments
	£000
Cost	
At 1 January 2014	3,188
Additions	4,125
Disposals	(1,500)
Reclassifications	(1,500)
Exchange differences	34
At 1 January 2015	**4,347**
Disposals	**(1,788)**
Reclassification	**1,500**
Exchange differences	**132**
At 31 December 2015	**4,191**
Impairment	
At 1 January 2014	–
Movement for the year	(1,830)
Reclassifications	1,500
At 1 January 2015	**(330)**
Disposals	**330**
Reclassifications	**(1,500)**
Movement for the year	**(2,691)**
At 31 December 2015	**(4,191)**
Net book value	
31 December 2015	**–**
31 December 2014	4,017

Notes to the Financial Statements (continued)

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

Investment name	Country of incorporation	Percentage holding
eeGeo Inc.	USA	15.8%
Quob Park Solutions Limited	England and Wales	5.3%

The principal activity of each investment is the provision of software, consulting and other services.

In 2014, the Group obtained an option to increase its investment in QP Solutions from 19% to 33%. Prior to being reclassified to associates, its fair value was written down to £nil, resulting in a charge to the Consolidated Statement of Comprehensive Income of £1,500,000. Upon transfer as an Associate, the previous fair value loss was reversed and a net loss of £1,500,000 on the re-measurement of Investments becoming Associates was recognised in the Consolidated Income Statement within Other Income. The fair value of the investment was assessed based on anticipated future discounted cash flows to net present value arising from that entity, using inputs which were not based on observable market data and fell within Level 3 of the fair value hierarchy.

In December 2015, QP Solutions allotted and issued new share capital, which diluted the Group's holding to 5.3% so this investment, as a result, was recategorised from being an Associate to a Fixed Asset Investment.

The fair value of remaining investments was assessed on net present value of cash flows or sales value less cost of sale and fall within Level 3 of the fair value hierarchy. They have been impaired due to uncertainty over obtaining any future value in the investment.

Details of principal subsidiary undertakings are provided in note 47.

20. Inventories

	2015	2014
	£000	£000
Finished goods for resale	376	735
Telematics devices held pending fitting	495	2,738
	871	3,473

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

For the finished goods for resale £3,704,000 (2014 £2,760,000) was expensed for sales. £147,000 (2014: £286,000) was expensed as stock write downs in cost of sales.

Telematics devices are taken to tangible fixed assets upon fitting to end user vehicles. During 2015, £2,506,000 (2014: £1,079,000) impairment for obsolescence and firmware upgrades has been expensed prior to end user fitting.

21. Trade and other receivables

	2015	2014
	£000	£000
Trade receivables (net of impairment provision)	6,477	12,308
Monies held in Escrow	55,049	–
Other receivables	2,405	8,166
Prepayments	1,930	4,538
Accrued income	308	7,851
	66,169	32,863

Monies held in escrow relate to the disposal of the PSD to S&G. Further details are provided in note 37.

The Directors consider that the net carrying amount of Trade receivables approximates to their fair value. Further disclosures concerning trade receivables are given in note 33.

22. Cash and cash equivalents

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

	2015	2014
	£000	£000
Cash	**103,200**	42,036
Bank overdrafts (note 24)	**–**	(4,968)
	103,200	37,068
Amounts classified as held for sale		
Cash	**639**	27,955
Bank overdrafts	**–**	(14,541)
	103,839	50,482

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

23. Trade and other payables

	2015	Restated (note 5) 2014
	£000	£000
Current liabilities		
Trade payables	**5,488**	11,692
Payroll and other taxes including social security	**3,695**	6,408
Accruals	**15,921**	22,069
Deferred income	**9,324**	10,555
Other liabilities	**7,239**	21,128
	41,667	71,852

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amount of trade payables approximates to their fair value.

Included within other liabilities of £7.2m (2014: £21.1m) is £nil (2014: £12.1m) received from S&G, which included £nil (2014: £8.0m) in respect of advance purchase price consideration relating to the sale of the PSD and a further £nil (2014: £4.1m) held as a deposit against cases transferred to S&G in 2015 and up to the completion date of 29 May 2015.

Notes to the Financial Statements (continued)

24. Borrowings

	2015	2014
	£000	£000
Current		
Bank overdrafts	–	4,968
Cumulative redeemable preference shares	**427**	500
Other secured loans	**154**	2,307
Unsecured loans	–	326
Finance leases (note 25)	**144**	1,081
	725	9,182
Non-current liabilities		
Cumulative redeemable preference shares	**4,816**	4,947
Finance leases (note 25)	**64**	1,080
	4,880	6,027
Total	**5,605**	15,209

	2015	2014
	£000	£000
The borrowings are repayable as follows:		
– On demand or within one year	**725**	9,182
– In the second to fifth years inclusive	**4,880**	6,027
	5,605	15,209
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(725)**	(9,182)
Amount due for settlement after 12 months	**4,880**	6,027

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

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

	Fair value degree observable	2015	2014
		£000	£000
Liabilities:			
Cumulative redeemable preference shares	Level 3	**5,243**	5,447

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

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

	2015	2014
	%	%
Bank overdrafts	–	3.25
Other secured loans	–	3.44
Cumulative redeemable preference shares	**8.00**	8.00
Unsecured loans	–	1.09

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

	2015	2014
	£000	£000
Other secured loans (including invoice discounting facilities)	–	2,307
Cumulative redeemable preference shares	**5,243**	5,447
Unsecured loans	–	326
Finance leases	**208**	2,161
	5,451	10,241

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

	2015	2014
	£000	£000
Expiring within one year	**1,000**	2,969
Expiring beyond one year	–	–
	1,000	2,969

Notes to the Financial Statements (continued)

25. Obligations under finance leases

	2015	2014
	£000	£000
Minimum lease payments		
Within one year	**124**	1,170
In the second to fifth year inclusive	**98**	1,123
	222	2,293
Less future finance charges	**(14)**	(132)
Present value of lease obligations	**208**	2,161
Present value of minimum lease payments		
Within one year	**144**	1,081
In the second to fifth years inclusive	**64**	1,080
Present value of lease obligations	**208**	2,161
Analysed as:		
Amounts due for settlement within one year	**92**	263
Amounts due for settlement after more than one year	**116**	1,898
	208	2,161

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 4 years (2014: 3 years). For the year ended 31 December 2015, the average effective borrowing rate was 6.4% (2014: 6.0%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in sterling or Canadian dollars. The fair value of the Group's lease obligations is approximately equal to their carrying amount. The Group's obligations under finance leases are secured by the lessor's rights over the leased assets disclosed in note 17.

26. Provisions

	Tax related matters	Legal disputes	Onerous contracts	Other	Total
	£000	£000	£000	£000	£000
At 1 January 2014	4,341	1,000	–	–	5,341
Additional provisions restated (note 5)	16,767	6,538	1,511	3,085	27,901
Unused amounts released	–	–	–	(10)	(10)
Used during the year	–	–	–	(208)	(208)
At 1 January 2015 restated (note 5)	**21,108**	**7,538**	**1,511**	**2,867**	**33,024**
Additional provisions	6,586	4,400	6,502	1,885	19,373
Unused amounts released	(3,716)	(5,538)	–	–	(9,254)
Used during the year	(435)	–	(4,370)	(1,328)	(6,133)
At 31 December 2015	**23,543**	**6,400**	**3,643**	**3,424**	**37,010**
Split:					
Non-current	–	–	16	290	306
Current	23,543	6,400	3,627	3,134	36,704

Tax related matters

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

Legal disputes

The amount provided in respect of legal cases (including investigations and defence costs) is considered to be in the mid-range of possible outcomes given the uncertainty in relation to these outcomes. If successful in defending any such legal disputes then the final settlement and costs may be lower than the total provision recognised above.

On 23 June 2015, the Financial Conduct Authority ("FCA") informed the Group that it had commenced an investigation under the Financial Services and Markets Act 2000 in relation to public statements made regarding the financial accounts of the Group during 2013 and 2014. On 5 August 2015, the SFO informed the Group that it had opened an investigation, which relates to past business and accounting practices at the Group. On the same date, the Financial Reporting Council ("the Committee") advised the Company that, in light of the positive actions taken by the Directors in correcting the identified errors, amending accounting policies and providing their undertakings, the Committee had closed its review of the 2011 and 2012 report and accounts. On 18 August 2015, the FCA announced that, in light of the above investigation by the SFO it had decided to discontinue its own investigation with immediate effect. The Group is co-operating fully with the SFO investigation which is now the only ongoing investigation to which the Company is aware of. At this stage, the timing of completion of the SFO investigation and its conclusions cannot be anticipated. Therefore, having taken external advice, no liability has been recognised at the balance sheet date as it is not possible to reliably estimate a provision (if any) in respect of this matter.

On 14 December 2015, the Company received a letter of claim from a law firm ("Claimant Firm") acting for 342 claimants commencing an action against the Company under the Financial Services and Markets Act 2000 ("Letter of Claim"). Despite the Company's endeavours in correspondence with the Claimant Firm, the Company is yet not in a position to verify the assertions in the Letter of Claim which, inter alia, details the expected value of the potential claims against the Company to be approximately £9.4 million. However, having taken external advice, no liability has been recognised at the balance sheet date as it is not possible to reliably estimate a provision (if any) in respect of this matter.

Onerous contracts

Where contracted income is expected to be less than the related expected expenditure the difference is provided in full. The timing and amount of these items can be reasonably determined.

Other

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

Notes to the Financial Statements (continued)

27. Deferred tax

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

	Accelerated capital allowances	Provisions and other temporary timing differences	Total
	£000	£000	£000
At 1 January 2014	2,973	(569)	2,404
Credit to Income Statement	(1,657)	549	(1,108)
Acquired with subsidiaries	11,964	–	11,964
Transfer to liabilities of disposal group classified as held for sale	(2,071)	7	(2,064)
At 1 January 2015	**11,209**	**(13)**	**11,196**
Credit to Income Statement	**(11,061)**	**(67)**	**(11,128)**
Transfer to liabilities of disposal group classified as held for sale	**236**	**–**	**236**
At 31 December 2015	**384**	**(80)**	**304**

	2015	2014
	£000	£000
Deferred tax liabilities	**384**	11,209
Deferred tax assets	**(80)**	(13)
	304	11,196

At the Statement of Financial Position date, there are unrecognised deferred tax assets of £13,305,000 (2014: £11,175,000). Deferred tax balances for Statement of Financial Position purposes are analysed as follows:

	2015	2014
	£000	£000
Deferred tax liability falling due within one year	**–**	–
Deferred tax liability falling due after one year	**384**	11,209
	384	11,209
Deferred tax asset to be recovered within one year	**–**	–
Deferred tax asset to be recovered after one year	**(80)**	(13)
	(80)	(13)

28. Share capital

	Number	Nominal value fully paid	Nominal value unpaid	Nominal value total
2015	**000**	**£000**	**£000**	**£000**
At 1 January – issued shares of 15 pence	**436,447**	**65,298**	**169**	**65,467**
Issued shares of 15 pence fully paid	**17,871**	**2,681**	**–**	**2,681**
Effect of capital reduction	**–**	**(63,447)**	**(158)**	**(63,605)**
Issued shares of 1 pence fully paid	**3,909**	**39**	**–**	**39**
Effect of share consolidation	**(412,405)**	**–**	**–**	**–**
Issued shares of 10 pence	**141**	**14**	**–**	**14**
At the end of the year	**45,963**	**4,585**	**11**	**4,596**

	Number	Nominal value fully paid	Nominal value unpaid	Nominal value total
2014	000	£000	£000	£000
At 1 January – issued shares of 1 pence	5,669,978	56,700	–	56,700
Issued shares of 1 pence fully paid	500,097	5,001	–	5,001
Issued shares of 1 pence unpaid	16,899	–	169	169
Effect of share consolidation	(5,774,509)	–	–	–
Issued shares of 15 pence	23,982	3,597	–	3,597
At the end of the year	436,447	65,298	169	65,467

On 16 December 2015, the High Court of Justice in England and Wales made an order approving the reduction of the Company's share capital under the Companies Act 2006, which had been approved by shareholders at a General Meeting held on 26 November 2015. The capital reduction became effective on 18 December 2015 and the nominal value of the Company's shares reduced to 1 pence at that time, which had the effect of reducing the nominal value of issued share capital by £63,605,000 and share premium by £349,708,000. Subsequently, £411,871,000 was paid out to shareholders as a return of capital. On 21 December 2015, the ordinary shares of the Company were consolidated. The share consolidation replaced every 10 existing ordinary shares of 1 pence each with 1 new ordinary share of 10 pence. The impact of the share consolidation on the number of allotted, called up, unpaid and fully paid shares was 412 million. There was no change in the total nominal value of the Company's issued share capital.

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

Included within the ordinary share capital, as at 31 December 2015, are nil shares of 10 pence (31 December 2014: 2,283,333 shares of 15 pence) with a carrying value of £nil (31 December 2014: £12,498,000) held by PT Health. Further details are provided in note 29.

The Company has one class of ordinary shares of 10 pence each which carry no right to fixed income.

Notes to the Financial Statements (continued)

The Company issued the following ordinary shares during the year:

Reason for issue	Effective date of issue (2015)	Issue share price Pence	Number	Issue Premium £000
In respect of 15 pence shares				
Acquisitions:				
BE Insulated (UK) Limited/ Carbon Reduction Company (UK) Limited	5 March	90.75	3,666,667	2,777
Navseeker, Inc.	13 March	99.50	832,946	704
Iter8 Inc. (deferred consideration)	19 May	161.99	844,644	1,242
PT Healthcare Solutions Corp.	4 November	210.27	9,358,675	18,275
Share-based payments:				
In respect of Iter8 Inc.	19 May	178.40	3,168,050	5,177
			17,870,982	28,175
In respect of 1 pence shares				
Exercise of options:	16 December	33.00	3,909,091	1,251
In respect of 10 pence shares				
Exercise of options:	23 December	10.00	140,625	–
				29,426

On 18 June 2014, the Company issued 16,899,321 ordinary shares of 1 pence to TMC (Southern) Limited ("TMC"), a related party (see note 39). The shares remain unpaid as at the balance sheet date and the Company has yet to call upon TMC for payment. The shares were issued under a trust arrangement in which the Group retained the effective control of the shares and have therefore been presented in own equity. It is the intention of the Group to seek either repayment of the unpaid share capital amounting to £169,000 from TMC or apply for the forfeiture of the shares in accordance with the Articles of Association of the Company. In the event that the shares are forfeited, then it is intended that the shares will be cancelled and no further amounts will be receivable from TMC.

The total premium of £29,426,000 has been posted to the share premium account.

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

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

Share based payments in the 2015 Consolidated Income Statement include options charges of £7,064,000, 2013 post combination vendor remuneration charge of £4,162,000 and 2012 post combination vendor remuneration charge of £562,000, totalling £11,788,000. A further £6,257,000 was charged to the loss from discontinued operations.

Share-based payments – warrants

The Group has issued warrants, which are equity settled share based payments. It did not have any warrants outstanding as at 31 December 2015. Details of the movement in share warrants outstanding are as follows:

		2015 WAEP		2014 WAEP
	Number	**Pence**	Number	Pence
Outstanding at the beginning of the year	**17,857,143**	**199.50**	16,936,572	192.48
Granted	**–**	**–**	17,857,143	717.50
Forfeited	**–**	**–**	–	–
Cancelled	**–**	**–**	(16,666,667)	750.00
Exercised	**–**	**–**	(269,905)	37.05
Expired	**(17,857,143)**	**199.50**	–	–
Outstanding at the end of the year	**–**	**–**	17,857,143	199.50
Exercisable at the end of the year:				
Issued at 195.00 pence	**–**	**–**	16,666,667	195.00
Issued at 262.50 pence	**–**	**–**	1,190,476	262.50
	–	**–**	17,857,143	199.50

The Group recognised a total expense of £nil (2014: £9,953,000) related to the cost of warrants during the year (included as exceptional costs within administrative expenses).

As at 31 December 2015, the weighted average remaining contractual life of all warrants outstanding was nil (2014: 0.46 years) and the weighted average exercise price was nil (2014: 717.50 pence).

There were no warrants granted in 2015. The weighted average fair value of warrants granted during 2014 determined using the Black-Scholes valuation model (after adjusting for the 1 for 15 share consolidation), was 131.39 pence per warrant.

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

	Year ended 31 December	Year ended 31 December
	2015	2014
Weighted average share price (pence)	**–**	565.50
Weighted average exercise price (pence)	**–**	717.50
Expected volatility	**–**	80.00%
Expected life (years)	**–**	1.21
Risk free rate	**–**	0.42%
Expected dividend yield	**–**	0.00%

Notes to the Financial Statements (continued)

Share-based payments – options

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

On 16 October 2015, the Company settled for cash 21,892,991 vested share options at a total cost of £11,150,000 (shown as a movement in equity) and national insurance contributions of £1,352,000 (£243,000 of which is shown within corporate restructuring within exceptional items, and £1,109,000 within the loss in the period from discontinued operations).

The Group had the following options outstanding as at 31 December 2015:

Grant Date	Exercise Price (Pence)	Expiry Date	2015 Number (options over 10 pence shares)	2014 Number (options over 15 pence shares)
21 November 2013	1,500.00	30 June 2019	281,525	4,027,046
21 November 2013	1,500.00	30 June 2019	158,523	1,724,533
21 November 2013	1,500.00	30 June 2017	15,583	103,544
21 November 2013	1,500.00	30 June 2019	31,250	445,832
6 March 2014	5,100.00	30 June 2019	58,333	583,333
20 June 2014	1,500.00	30 June 2019	108,333	1,333,333
18 December 2014	10.00	18 December 2024	–	16,333,332
12 January 2015	10.00	12 January 2025	75,000	–
			728,547	24,550,953

Details of the movement in options outstanding are as follows:

	2015 Number	2015 WAEP Pence	2014 Number	2014 WAEP Pence
Outstanding at the beginning of the year	**24,550,953**	**110.84**	7,738,601	240.00
Granted	**31,265,115**	**118.16**	18,583,332	72.59
Forfeited	**(8,728,940)**	**147.00**	(1,770,980)	420.00
Cancelled	**(12,593,487)**	**160.15**	–	–
Exercised	**(5,315,341)**	**33.00**	–	–
Cashed out	**(21,892,991)**	**48.42**		
Effect of share consolidation 21 December 2015	**(6,556,762)**		–	–
Outstanding at the end of the year	**728,547**	**1,634.86**	24,550,953	110.84
Exercisable at the end of the year:				
Issued at 10 pence (previously 68.65 pence)	**75,000**	**10.00**	–	68.65
Issued at 1,500 pence (previously 240.00 pence)	**329,609**	**1,500.00**	1,681,773	240.00
Issued at 5,100 pence (previously 600.00 pence)	**25,000**	**5,100.00**	–	600.00
	429,609	**1,449.37**	1,681,773	240.00

The Group recognised a total expense of £7,064,000 (2014: £4,102,000) related to the cost of options during the year (included as share based payment charges within administrative expenses). A further charge of £6,257,000 was recognised within the profit on sale of discontinued operations, relating to the accelerated charge for those employees belonging to the PSD. As of 31 December 2015, the weighted-average remaining contractual life of the options outstanding is 4.0 years (2014: 8.1 years) and the weighted-average exercise price was 1,634.86 pence (2014: 110.84 pence). The expected life used in the model was adjusted, based on management's best estimate, for the effects of non-transferability, performance conditions, exercise restrictions, and behavioural considerations.

The weighted average fair value of options granted during the year determined using the Black-Scholes valuation model was 37.26 pence per option (2014: 34.14 pence). The options are equity settled share based payments and the significant inputs into the Black-Scholes model for options issued were as follows.

	Year ended 31 December	Year ended 31 December
	2015	2014
Weighted average share price (pence)	**84.75**	70.17
Weighted average exercise price (pence)	**118.16**	72.59
Expected volatility	**131%**	120%
Expected life (years)	**0.5 – 3.0 years**	0.5 – 3.3 years
Risk free rate	**2.0%**	0.4% – 1.8%
Expected dividend yield	**0%**	0%

Options granted in 2015

Options over 19,640,115 ordinary shares of 15 pence in the Company with an average exercise price of 147.46 pence were granted on 12 January 2015 under the Group's Unapproved Share Option Scheme with an exercise period for all options vested under the scheme ending on 12 January 2025. Options over 8,728,940 ordinary shares of 15 pence granted to Richard Rose, appointed non-executive Chairman on 29 May 2015, were forfeited on completion of the sale of the PSD to S&G on 29 May 2015, resulting in an accelerated charge of £2,236,000 (included as share-based payment charges within administrative expenses). The remaining 10,911,175 options which were granted to Jim Sutcliffe were cancelled on the cessation of his employment with the Company on 30 June 2015 and did not attract a charge.

Options over 11,625,000 ordinary shares of 15 pence in the Company with an average exercise price of 68.65 pence were granted on 12 January 2015 under the Group's Unapproved Share Option scheme with an exercise period for all options vested under the scheme on 12 January 2015. These options vested on completion of the disposal of the PSD on 29 May 2015 and attracted an accelerated charge of £6,619,000 (£3,203,000 of which is included as share-based payment charges within administrative expenses and £3,416,000 of which is included in the profit on disposal of PSD).

Notes to the Financial Statements (continued)

29. Reserves

	2015	Restated (note 5) 2014
	£000	£000
Share premium account	**127,251**	447,533
Reverse acquisition and merger reserve	**(3,312)**	160,795
Shares to be issued	**–**	30,744
Other equity reserves	**26,647**	31,036
Foreign currency translation reserve	**(3,960)**	(2,401)
Total other reserves	**146,626**	667,707
Retained earnings	**(14,722)**	(472,743)
Non-controlling interests	**609**	4,065

The share premium account represents the fair value of the share consideration over and above the share's nominal value of 10 pence per share (15 pence per share prior to the share consolidation exercise in December 2015 and 1 pence per share prior to the share consolidation exercise in June 2014) for those shares issued as consideration for acquisitions that take the Group's ownership of the acquired entity up to 90%. In addition to the increase to the reserve noted in note 28 above of £29,426,000, there was a decrease of £349,708,000 due to the capital reduction which was approved by the Court on 16 December 2015.

The reverse acquisition and merger reserve represents the fair value of the share consideration over and above the share's nominal value of 10 pence per share (15 pence per share prior to the share consolidation exercise in December 2015 and 1 pence per share prior to the share consolidation exercise in June 2014) for those shares issued as consideration for acquisitions that take the Group's ownership of the acquired entity above 90%. The movement in the year of £164,107,000 represents amounts which have become realised as a result of impairments to the underlying investments to which certain merger reserve postings were made, and have been credited to retained earnings.

The consolidated Group accounts show the reverse acquisition and merger reserve net of the reverse acquisition reserve of £10,842,000 created on the reverse acquisition of Quindell Limited by Mission Capital plc (now Watchstone Group plc, which occurred in 2011). In the transaction, the Company remains the legal parent and therefore the Company accounts show the gross position of the reverse acquisition reserve.

The fair value of the share consideration over and above the share's nominal value of 10 pence per share (15 pence per share prior to the share consolidation exercise in December 2015 and 1 pence per share prior to the share consolidation exercise in June 2014) for all other shares issued by the Company is included in the share premium reserve. In addition, directly attributable costs incurred in the issuing of shares are also recognised in the share premium reserve.

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

	£000	£000
At 1 January 2015		30,744
Shares issued:		
Iter8	**(1,368)**	
PT Healthcare Solutions Corp.	**(19,679)**	
		(21,047)
Shares no longer issuable:		
PT Healthcare Solutions Corp.	**(227)**	
Quindell Property Services Limited ("QPS")	**(9,470)**	
		(9,697)
Shares to be issued at 31 December 2015		–

Quindell Property Services Limited did not meet certain profit and cash generation targets in the year, meaning that 5,629,630 ordinary shares of 15 pence at 168.218 pence each were no longer issuable and have been transferred to retained earnings.

On 4 November 2015, the Group completed the acquisition of the remaining 50.1% of the issued share capital in PT Health that it did not own. Shareholders of PT Health holding 0.6% of the shares did not agree to receive shares of the Company in exchange for their shares in PT Health, and cash compensation will be agreed with those shareholders in due course. The value of £227,000 has been transferred to other creditors.

Other reserves comprise:

	Equity reserve	Shares treated as held in treasury	Share-based payments	Share consideration reserve	Total other equity reserves
	£000	£000	£000	£000	£000
At 1 January 2014	54	(8,061)	6,153	–	(1,854)
Shares treated as held in treasury	–	(36,659)	–	–	(36,659)
Disposal of shares treated as held in treasury	–	32,055	–	–	32,055
Fair value adjustment to share consideration	–	–	–	22,934	22,934
Share-based payments (note 28)	–	–	17,386	–	17,386
Shares issued in respect of iter8 (note 28)	–	–	(2,826)	–	(2,826)
At 1 January 2015	**54**	**(12,665)**	**20,713**	**22,934**	**31,036**
Shares treated as held in treasury	**–**	**–**	**–**	**–**	**–**
Disposal of shares treated as held in treasury	**–**	**12,496**	**–**	**–**	**12,496**
Fair value adjustment to share consideration	**–**	**–**	**–**	**–**	**–**
Share-based payments (note 28)	**–**	**–**	**17,235**	**–**	**17,235**
Shares issued in respect of iter8 (note 28)	**–**	**–**	**(5,652)**	**–**	**(5,652)**
Realised profits transfer to retained earnings	**–**	**169**	**(28,637)**	**–**	**(28,468)**
At 31 December 2015	**54**	**–**	**3,659**	**22,934**	**26,647**

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

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

At the year end, the carrying value of the Company's shares held by PT Health was £nil (2014: £12,498,000) which represented nil shares (2014: 2,283,333 shares). Any gains or losses recognised in the subsidiary's income statement have been removed on consolidation.

Notes to the Financial Statements (continued)

Shares treated as held in treasury reserve

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

	£000
At 1 January 2015	(12,665)
Sale of shares by PT Healthcare Solutions Corp.	12,496
Transfer of unpaid shares to retained earnings	169
Shares treated as held in treasury reserve at 31 December 2015	**–**

The sale of shares held by PT Health realised a loss of £9,750,000, which is shown as a reduction in retained earnings.

Share consideration reserve

The share consideration reserve represents the difference between the fair value of shares consideration versus the value of the non-controlling interest acquired.

Share-based payment reserve

The share-based payment reserve is increased to reflect the fair value to the Group of share-based payment transactions, with the reserve being reduced when shares are issued. An amount of £28,637,000 was transferred to retained earnings, representing amounts which have become realised profits.

30. Operating lease commitments

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

	Land and buildings		Plant and equipment	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Expiring:				
Within one year	**4,112**	4,047	**4**	13
Between two and five years	**9,073**	9,123	**–**	–
After five years	**1,721**	2,966	**–**	–
	14,906	16,136	**4**	13

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

31. Cash flow from operating activities

	2015	2014
	£000	£000
Profit/(loss) after tax	**274,939**	(374,484)
Tax	**(11,788)**	(750)
Finance expense	**1,989**	2,135
Finance income	**(1,238)**	(570)
Operating profit/(loss)	**263,902**	(373,669)
Adjustments for:		
– Exceptional costs	**17,983**	2,108
– Share-based payments	**17,235**	28,665
– Depreciation of property, plant and equipment	**6,333**	6,098
– Amortisation of intangible assets	**16,818**	33,172
– Impairment of goodwill	**70,192**	126,632
– Impairment of investments and associates	**2,691**	2,392
– Impairment of intangible assets	**44,680**	9,402
– Impairment of property, plant and equipment	**1,861**	661
– Impairment of inventories	**2,506**	1,079
– Share of profit of associates	**(103)**	(712)
– Net gain on re-measurement of investments on becoming associates and associates on acquisition of control	**–**	(18,001)
– Loss on loss of control over subsidiary	**–**	5,781
– Loss on disposal of plant, property and equipment	**1,935**	201
– Profit on disposal of interests in property, subsidiary undertakings and operations (note 37)	**(494,317)**	–
– Profit on disposal of subsidiary undertakings and fixed asset investments	**(1,971)**	–
Operating cash flows before movements in working capital and provisions	**(50,255)**	(176,191)
– Decrease in inventories	**91**	2,377
– (Increase)/decrease in trade and other receivables	**(18,075)**	39,847
– Increase/(decrease) in trade and other payables	**18,130**	57,193
Cash used by operations before exceptional costs	**(50,109)**	(76,774)

Notes to the Financial Statements (continued)

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

	1 January	Acquisitions & Disposals	Cash flow movements	Non-cash movements	31 December
	£000	£000	£000	£000	£000
2015					
Cash	**69,991**	**(3,204)**	**37,351**	**(299)**	**103,839**
Overdrafts and bank loans	**(19,509)**	**–**	**19,509**	**–**	**–**
Cash and cash equivalents	**50,482**	**(3,204)**	**56,860**	**(299)**	**103,839**
Other secured loans < 1 year	**(25,840)**	**73**	**25,767**	**–**	**–**
Other secured loans > 1 year	**(3,879)**	**–**	**3,705**	**20**	**(154)**
Cumulative redeemable preference shares < 1 year	**(500)**	**–**	**–**	**73**	**(427)**
Cumulative redeemable preference shares > 1 year	**(4,947)**	**–**	**–**	**131**	**(4,816)**
Unsecured loans < 1 year	**(326)**	**–**	**326**	**–**	**–**
Unsecured loans > 1 year	**–**	**–**	**–**	**–**	**–**
Finance leases < 1 year	**(1,086)**	**–**	**942**	**–**	**(144)**
Finance leases < 1 year	**(1,080)**	**–**	**1,035**	**(19)**	**(64)**
Net funds	**12,824**	**(3,131)**	**88,635**	**(94)**	**98,234**

	1 January	Acquisitions	Cash flow movements	Non-cash movements	31 December
	£000	£000	£000	£000	£000
2014					
Cash	199,596	(12,480)	(117,141)	16	69,991
Overdrafts and bank loans	(19,642)	(866)	999	–	(19,509)
Cash and cash equivalents	179,954	(13,346)	(116,142)	16	50,482
Other secured loans < 1 year	(25,145)	(4)	(691)	–	(25,840)
Other secured loans > 1 year	(6,139)	–	2,260	–	(3,879)
Cumulative redeemable preference shares < 1 year	(604)	–	–	104	(500)
Cumulative redeemable preference shares > 1 year	(5,026)	–	–	79	(4,947)
Unsecured loans < 1 year	(752)	–	426	–	(326)
Unsecured loans > 1 year	(796)	–	796	–	–
Finance leases < 1 year	(610)	–	910	(1,386)	(1,086)
Finance leases < 1 year	(661)	–	–	(419)	(1,080)
Net funds	140,221	(13,350)	(112,441)	(1,606)	12,824

33. Financial instruments

(a) Carrying value and fair value

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

	Available for sale	Loans and receivables	Other liabilities	Total carrying value	Total fair value
	£000	£000	£000	£000	£000
At 31 December 2015					
Available for sale investments	**–**	**–**	**–**	**–**	**–**
Trade and other receivables	**–**	**6,477**	**–**	**6,477**	**6,477**
Monies held in Escrow	**–**	**55,049**	**–**	**55,049**	**55,049**
PSD deferred, contingent consideration	**–**	**–**	**–**	**–**	**–**
Cumulative redeemable preference shares	**–**	**–**	**(5,243)**	**(5,243)**	**(5,243)**
Unsecured loans	**–**	**–**	**–**	**–**	**–**
Other secured loans	**–**	**–**	**(154)**	**(154)**	**(154)**
Trade and other payables	**–**	**–**	**(9,183)**	**(9,183)**	**(9,183)**
Finance leases	**–**	**–**	**(208)**	**(208)**	**(208)**
Bank overdraft	**–**	**–**	**–**	**–**	**–**
Cash and cash equivalents	**–**	**103,200**	**–**	**103,200**	**103,200**
At 31 December 2014					
Available for sale investments	4,017	–	–	4,017	4,017
Trade and other receivables	–	12,308	–	12,308	12,308
Cumulative redeemable preference shares	–	–	(5,447)	(5,447)	(5,447)
Unsecured loans	–	–	(326)	(326)	(326)
Other secured loans	–	–	(2,307)	(2,307)	(2,307)
Trade and other payables	–	–	(18,100)	(18,100)	(18,100)
Finance leases	–	–	(2,161)	(2,161)	(2,161)
Bank overdraft	–	–	(4,968)	(4,968)	(4,968)
Cash and cash equivalents	–	42,036	–	42,036	42,036

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

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

(b) The fair value of the PSD deferred, contingent consideration has been determined using an income approach taking into account the risk in the expected cash flows

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

(d) The fair value of cash and cash equivalents and bank overdraft is equivalent to the carrying value due to the short-term nature of those instruments

(e) The fair value of other financial assets and liabilities with standard terms and conditions is determined in relation to estimated discounted cash flows to net present values

Cash and cash equivalents, classified as loans and receivables mainly comprise investments in major UK bank deposits which can be withdrawn without notice. Monies held in Escrow relate to the disposal of the PSD and are also held with a major UK bank.

Notes to the Financial Statements (continued)

(b) Fair value hierarchy

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

(c) Financial risk management

The Group's financial instruments comprise borrowings, derivative financial instruments, cash and liquid resources and various items such as trade debtors and trade creditors that arise from its operations. The main purpose of these financial instruments is to manage the Company's operations.

Fair value estimation

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

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

Interest risk and sensitivity

The Group repaid the majority of its borrowings using part of the proceeds from the disposal of the PSD. The remaining borrowings mainly comprise preference share (classified as debt) arising from previous acquisitions. These will be settled at maturity. Since the preference shares attract a fixed rate of interest there is minimal exposure to the Group from changes to interest rates upon its borrowings.

Interest bearing assets consist of cash balances which earn interest at variable rates. Finance lease arrangements are contracted on fixed rate terms.

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

	2015	2014
	£000	£000
Variable rate instruments	–	20

Liquidity risk

The Group generates funds from operations which are managed centrally. The Group has historically maintained a mix of short and medium term borrowings from the Group's lenders. Following the sale of the PSD, the Group's facilities were repaid. Furthermore, £411,871,000 of the proceeds from the disposal of the PSD were returned to shareholders through a return of capital. The Group has retained a sufficient level of liquidity to ensure it has a sufficient level of funding to develop its operations, recognising that it operates in markets which it believes are high growth. Liquidity risks will be managed through regular forecasting and reporting of its working capital requirements, including conducting sensitivity analysis and growth scenario testing. It will maintain surplus funds in accessible deposits.

The following are the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1-5 years	Over 5 years
	£000	£000	£000	£000	£000
Non-derivative financial liabilities					
2015					
Other secured loans	**154**	**(154)**	**(154)**	**–**	**–**
Cumulative redeemable preference shares	**5,243**	**(7,393)**	**(427)**	**(5,718)**	**(1,248)**
Unsecured loans	**–**	**–**	**–**	**–**	**–**
Trade and other payables	**9,183**	**(9,183)**	**(9,183)**	**–**	**–**
Finance leases	**208**	**(222)**	**(124)**	**(98)**	**–**
	14,788	**(16,952)**	**(9,888)**	**(5,816)**	**(1,248)**
2014					
Other secured loans	2,307	(2,374)	(2,374)	–	–
Cumulative redeemable preference shares	5,447	(5,447)	(500)	(2,742)	(2,205)
Unsecured loans	326	(328)	(328)	–	–
Trade and other payables	18,100	(18,100)	(18,100)	–	–
Finance leases	2,161	(2,293)	(1,170)	(1,123)	–
	28,341	(28,542)	(22,472)	(3,865)	(2,205)

Capital risk

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

Credit risk

The Group is not subject to significant concentration of credit risk with exposure spread across many companies. The credit quality of the Group's trade receivables is considered by management to be good as the exposure to a concentration of debt from a small number of individual end customers is low. Further information is given in the Financial Review in relation to areas of cash and debtor management. 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 Group holds significant deposits which are spread across UK regulated banks holding either AAA or AA credit ratings.

Notes to the Financial Statements (continued)

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

	2015	2014
	£000	£000
Sterling	61	9,284
Canadian Dollar	5,390	5,691
Other	154	234
	5,605	15,209

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

		2015	2014
	Note	£000	£000
Non-derivative financial assets			
Trade receivables	21	6,477	12,308
Cash and cash equivalents	22	103,200	42,036
		109,677	54,344

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

	2015	2014
	£000	£000
UK	3,164	7,245
Canada	2,631	2,606
Rest of World	682	2,457
	6,477	12,308

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

	2015	2014
	£000	£000
Sterling	3,164	7,245
Canadian Dollar	2,631	2,606
Other	682	2,457
	6,477	12,308

The ageing of loans and other receivables at 31 December 2014 was as follows:

	2015 Gross	2015 Impairment	2015 Net	2014 Gross	2014 Impairment	2014 Net
	£000	£000	£000	£000	£000	£000
Under 1 year	6,144	1,246	4,898	17,417	5,166	12,251
1-2 years	2,543	970	1,573	103	46	57
2-3 years	61	55	6	4	4	–
3 years and over	–	–	–	–	–	–
	8,748	2,271	6,477	17,524	5,216	12,308

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

	2015	2014
	£000	£000
At 1 January	**5,216**	1,445
Provision for receivables impairment	**1,393**	4,889
Acquired with subsidiary	**–**	467
Receivables written off	**(4,180)**	(1)
Unused amounts reversed	**(15)**	(71)
Transfer to assets of the disposal group classified as held for sale	**(107)**	(1,513)
Exchange differences	**(36)**	–
	2,271	5,216

The allowance has been determined by reference to the recoverability of specific due and overdue debts. There is also an allowance of £1,255,000 for impairment of other receivables which is included in impairments in the Consolidated Income Statement. The creation and reversal of provisions for impaired trade receivables where they arise are included in administrative expenses in the Consolidated Income Statement. The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

34. Ultimate parent company

The ultimate parent company of the Group is Watchstone Group plc. There were no shareholders with overall control of the Company as at 31 December 2015 or 31 December 2014.

35. Contingent liabilities

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

36. Acquisition of subsidiaries

The Group made one acquisition during the year. The Group obtained control through control over voting rights.
The Company's own shares formed part of the consideration of the acquisition and have been valued according to the opening bid price (as recorded by the London Stock Exchange) on the day legal title passed.

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

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

Notes to the Financial Statements (continued)

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

	Fair value degree observable	2015	2014
		£000	£000
Non-current assets:			
Consideration subject to clawback	Level 3	–	–

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

BE Insulated (UK) Limited and Carbon Reduction Company (UK) Limited

On 5 March 2015, Brand Extension (UK) Limited ("BEUK") acquired the 50% of the entire issued share capital of BEI not already owned by the Group, and the entire issued share capital of CRC, for consideration of 3,666,667 ordinary shares of 15 pence plus up to a further 200,000 ordinary shares of 15 pence by way of contingent consideration. The Directors did not consider that the contingent consideration would become payable and therefore fair valued the further shares at nil value.

The Company's initial interest in BEI was acquired as part of the acquisition of Quindell Property Services which was first announced on 3 May 2013. The primary reason for the acquisition was to consolidate its property services interests in order to facilitate future options for disposal. BEI is predominantly a property insulation supply and installation business and CRC is a provider of property maintenance services.

The fair value of the identifiable assets and liabilities of BEI and CRC at acquisition date were as follows:

Net assets acquired	£000
Cash at bank	352
Property, plant and equipment	67
Trade and other receivables	632
Trade and other payables	(1,148)
Provision for tax-related liability	(900)
Total identifiable net liabilities	**(997)**
Consideration	
Ordinary shares of 15 pence (3,666,667)	3,328
Goodwill	**4,325**

The fair value of the 3,666,667 ordinary shares of 15 pence issued as consideration was based on the published share price on 5 March 2015. There were no restrictions applied to the consideration shares. The fair value of the Company's initial interest in BEI immediately prior to the acquisition of the remaining 50% was £1.

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

Since acquisition, revenues of £2,716,000 have been included in the consolidated results of the Group. The acquired entities contributed a loss before tax of £1,046,000 over the same period. Had the acquired entities been included from 1 January 2015, revenues of £3,436,000 and a loss before tax of £815,000 would have been included.

The Group disposed of its interest in BEI and CRC on 7 January 2016 – see note 37.

37. Discontinued operations and disposals

Disposal of businesses

Nationwide Accident Repair Services Plc

The Group disposed of its entire shareholding in NARS on 4 March 2015. No gain or loss occurred in the year on the disposal of NARS.

360 GlobalNet (“360G”) and 360ViewMax (“360V”)

The interests that the Group held in 360G and 360V were sold in January 2015 and May 2015. In 2015, a £3,329,000 gain was recognised on the sale of 360G and a loss of disposal of £1,358,000 was recognised on the sale of 360V. These are both reported as Other Income in the Consolidated Income Statement.

Professional Services Division

On 29 May 2015, the Group disposed of the PSD (i.e. its interests in its legal, claims management and health service businesses) to S&G for a total consideration of £644,867,000 together with further contingent cash consideration payable in respect of the future settlement of its clients’ noise induced hearing loss (“NIHL”) cases. The initial consideration of £644,867,000 consisted of cash consideration at completion of £636,820,000 (of which £55,000,000 is held in escrow) and an incremental advance payment of £8,047,000 (which had been received in December 2014).

Given the inherent uncertainties of the NIHL business line, the parties could not agree on an appropriate valuation at completion and so the agreement provides that the Group will receive 50% of the net after tax receipts (after allowing for administrative costs) collected on the NIHL cases outstanding at completion. Approximately 53,000 NIHL cases were active and transferred at completion. Such amounts will be determined on a six monthly basis commencing on 31 December 2015. The process will continue until 30 June 2017 when a terminal value projection of expected receipts will be agreed. If no agreement is reached, the process will continue with payments every six months until the earlier of the date when a terminal value is agreed or 31 December 2018. Based on an assessment of the costs that S&G will need to incur to pursue the NIHL cases and the potential outcome of the NIHL cases, the fair value of the contingent consideration has been determined as £nil.

The profit arising on this disposal comprises the following elements:

	£000
Sales proceeds	644,867
Net assets at disposal	(132,234)
Expenses and other costs of sale	(18,316)
Profit arising on sale	**494,317**

The net gain on disposal of PSD represents sales proceeds of £644,867,000 less net assets at completion of £132,234,000 and expenses of £18,316,000. These figures differ from the estimates given in the 2014 strategic report as those did not reflect actual movements in net assets and intercompany balances settled out of the total consideration received.

£55,000,000, of the £644,867,000, was placed in temporary escrow accounts relating to the sale of the PSD to S&G. £50,000,000 of the escrow balances relates to the warranties provided by the Company in respect of the disposal of the PSD. The total maximum claims allowed in respect of the warranties is £100,000,000. The Company has not been made aware of any claims or potential claims and is confident that the due diligence process in respect of the disposal will ensure that all of the £50,000,000 currently reserved in a joint escrow account for any warranty claims will be released in November 2016. A provision has, therefore, not been made as at 31 December 2015 in respect of the warranties provided by the Company in respect of the disposal of the PSD.

Notes to the Financial Statements (continued)

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

	2015	2014
	£000	£000
Revenue	95,162	220,540
Expenses	(134,988)	(357,740)
Loss before tax of discontinued operation	(39,826)	(137,200)
Tax	(1,361)	3,992
Loss after tax of discontinued operation	**(41,187)**	**(133,208)**

The assets and liabilities of the PSD entities classified as held for sale were:

	2015	2014
	£000	£000
Intangibles and goodwill	–	148,450
Property, plant and equipment	–	2,369
Trade and other receivables	–	110,125
Corporation tax	–	14,775
Cash and cash equivalents	–	27,955
Assets classified as held for sale	–	**303,674**
Overdraft	–	(14,541)
Borrowings	–	(27,412)
Trade and other payables	–	(138,822)
Finance leases	–	(5)
Deferred tax	–	(2,065)
Liabilities classified as held for sale	–	**(182,845)**
Net assets classified as held for sale	–	**120,829**

The cash flows of the PSD discontinued operations recognised in the Consolidated Cash Flow Statement were as follows:

	2015	2014
	£000	£000
Operating cash outflows	(24,919)	(83,242)
Investing cash flows	(150)	(868)
Financing cash flows	10,260	80,335
Total cash flows	**(14,809)**	**(3,775)**

BE Insulated (UK) Limited and Carbon Reduction Company (UK) Limited

By the balance sheet date, the Group were in negotiations to sell its interests in BEI and CRC and, after the year end, on 7 January 2016, the Group entered into an agreement to dispose of the entire issued share capital of BEI and CRC for a nominal consideration of £1 to The BE Smart Group Limited (a company owned by Ben Williams, a statutory director of BEI and CRC) ("BEI Agreement"). Following the completion of the BEI Agreement, the Group ceased to operate directly in the property and maintenance services sector.

The results of these businesses have therefore been disclosed as discontinued activities on the face of the Consolidated Income Statement and related notes. Amounts in the Consolidated Statement of Financial Position relating to these businesses have been classified as held for sale.

The assets and liabilities of BEI and CRC classified as held for sale at 31 December 2015 were:

	£000
Intangibles and goodwill	102
Property, plant and equipment	41
Trade and other receivables	1,082
Cash and cash equivalents	12
Assets classified as held for sale	**1,237**
Trade and other payables	(1,395)
Provisions	(900)
Liabilities classified as held for sale	**(2,295)**
Net liabilities classified as held for sale	**(1,058)**

IFRS 5 requires the disposal group to be measured at the lower of its carrying value and its fair value less costs to sell. Accordingly, as at 31 December 2015, the carrying value of these businesses was written down to realisable value and a goodwill impairment charge of £4.2 million was recognised in the discontinued activities in the year ended 31 December 2015.

The overall result recognised in the Consolidated Income Statement for BEI's, CRC's and the other property and maintenance operations disposed of was as follows:

	2015	2014
	£000	£000
Revenue	**4,657**	7,610
Expenses	**(11,926)**	(36,475)
Loss before tax of discontinued operation	**(7,269)**	(28,865)
Tax	**17**	15
Loss after tax of discontinued operation	**(7,252)**	**(28,850)**

The cash flows of BEI and CRC's discontinued operations recognised in the Consolidated Cash Flow Statement were as follows:

	2015	2014
	£000	£000
Operating cash outflows	**(1,198)**	–
Investing cash flows	**–**	–
Financing cash flows	**858**	–
Total cash flows	**(340)**	**–**

Quintica Holdings Limited

By the balance sheet date, the Group were also in negotiations to sell its interests in Quintica (a reseller and integrator of software to the telecoms industries, and the Group's only significant trading arm in Africa). After the year end, on 4 March 2016, it disposed of the entire issued share capital of Quintica to Quintica International Holdings Inc ("QIH") for approximately £1.35 million (the "Quintica Agreement"). In addition, the Company will be entitled to additional consideration in the event that Quintica is disposed of (in whole or part) by QIH in the year following completion of the transaction.

Under the Quintica Agreement, the Group received £1 million in cash (£0.5 million paid immediately and £0.5 million due by 1 January 2017), plus the repayment of intra-company debt of US$0.5 million (approximately £0.35 million).

The results of this business has therefore been disclosed as discontinued activities on the face of the Consolidated Income Statement and related notes. Amounts in the Consolidated Statement of Financial Position relating to this business have been classified as held for sale.

Notes to the Financial Statements (continued)

The assets and liabilities of Quintica classified as held for sale at 31 December 2015 were:

	£000
Intangibles and goodwill	83
Property, plant and equipment	42
Trade and other receivables	1,025
Deferred tax	368
Cash and cash equivalents	627
Assets classified as held for sale	**2,145**
Trade and other payables	(1,153)
Corporation tax	(86)
Liabilities classified as held for sale	**(1,239)**
Net assets classified as held for sale	**906**

IFRS 5 requires the disposal group to be measured at the lower of its carrying value and its fair value less costs to sell. Accordingly, as at 31 December 2015, the carrying value of this business was written down to realisable value and a goodwill impairment charge of £4.2 million was recognised in the discontinued activities in the year ended 31 December 2015.

The overall result recognised in the Consolidated Income Statement for Quintica's operations disposed of was as follows:

	2015	2014
	£000	£000
Revenue	**5,576**	4,278
Expenses	**(11,659)**	(8,139)
Loss before tax of discontinued operation	**(6,083)**	(3,861)
Tax	**(58)**	(481)
Loss after tax of discontinued operation	**(6,141)**	(4,342)

The cash flows of Quintica's discontinued operations recognised in the Consolidated Cash Flow Statement were as follows:

	2015	2014
	£000	£000
Operating cash outflows	**(2,556)**	(1,633)
Investing cash flows	**(3)**	(18)
Financing cash flows	**2,678**	1,676
Total cash flows	**119**	**25**

38. Non-controlling interests

Material non-controlling interest

At 31 December 2015 the Group did not have any material non-controlling interests ("NCI").

At 31 December 2014 the Group had the following material NCIs:

360 GlobalNet Limited

Non-controlling interests held a 40.2% voting rights and ownership interest in the entity which is incorporated in the UK, also being its principal place of business. On 5 January 2015 the Group disposed of part of its shareholding representing 10% of the share capital of 360, at which point the Group ceased consolidating and the NCI also ceased to be recognised at this point. On 22 May 2015 the remaining interest in the Company was disposed of, further details are provided in note 37. The profit and accumulated interests are listed below:

	2014
	£000
Loss allocated to NCI	(39)
Accumulated interest	(2,829)
Dividends paid to NCI	–

Summarised Statement of Financial Position

	2014
	£000
Current	
Total current assets	1,914
Total current liabilities	(2,517)
Non-current	
Total non-current assets	2,749
Total non-current liabilities	(173)
Net assets	1,973

Summarised Statement of Comprehensive Income

	2014
	£000
Revenue	2,789
Pre-tax profit from continuing operations	(101)
Post-tax profit from continuing operations	(101)
Other comprehensive income	–
Total comprehensive income	(101)

Notes to the Financial Statements (continued)

39. Related party transactions

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

Disposal of businesses

On 8 January 2016 the Group disposed of its entire investment in BEI and CRC for a nominal consideration of £1 to the BE Smart Group Limited, being a company owned by Ben Williams, a statutory director of BEI and CRC.

On 7 March 2016 the Group disposed of its investment in Quintica to QIH being a company owned by Charles Osburn, a statutory director of Quintica for approximately £1.35 million. Additionally the Group will be entitled to additional consideration in the event that Quintica is disposed of (in whole or part) by QIH in the year following completion of the transaction.

Compensation of key management personnel

Key management personnel include the Directors, James Sutcliffe and Richard Rose prior to his appointment as non-executive Chairman on 29 May 2015.

During the year, BaxterBruce Limited, of which James Sutcliffe is the non-executive Chairman, provided strategic consultancy services to the Board of Directors. Richard Rose, Mark Williams and James Sutcliffe were consultants providing services under the arrangement. Included in the table below, as well as emoluments paid to the Company's Directors, are amounts paid directly to Richard Rose of £1,072,000 (prior to his becoming a Director) and £247,000 to James Sutcliffe in the period to 30 June 2015.

	2015	2014
	£000	£000
Short-term employee benefits*	**3,041**	3,047
Post-employment benefits	**51**	61
Termination benefits	**575**	1,696
Share-based payments	**6,122**	2,250
	9,789	7,054

* Including in aggregate £nil (2014: £406,000) paid to close family members employed in positions by a subsidiary undertaking in respect of wages, salaries and social security costs.

Transactions with Directors and Key Management

In the first half of 2015, the Group purchased £2,800,000 of financial services from Codex Capital Partners (UK) Limited, a company of which D Currie is a Director, in relation to the disposal of the PSD and an additional £52,000 in relation to other services (2014: £650,000). No amounts were outstanding at 31 December 2015.

Transactions with previous Directors and Key Management not disclosed in the 2014 Annual Report

Prior to his resignation from the Board of Directors on 18 November 2014, R Terry was employed as a Director of the Company holding the positions of Chief Executive Officer and Executive Chairman. The Company engaged the services of an internal auditor towards the end of 2015 to review expense claims submitted by Mr Terry and payments made by the Company to him during his period of employment ("Investigation"). The initial phase of the investigation was completed in February 2016, and identified an amount of expenses and payments that the Directors allege should not have been claimed from the Company. These expenses totalled £184,865. Pending completion of the Investigation, the Company ceased paying Mr Terry instalments of payments relating to Mr Terry's settlement agreement with the Company entered into upon his exit in November 2014. On 10 December 2015, Mr Terry issued proceedings to claim outstanding instalments and on 8 February 2016 the Company lodged a defence and counterclaim for the recovery of the allegedly improper expenses and payments. The Investigation is on-going as is the litigation with Mr Terry as detailed above.

Those transactions that form part of the Company's defence and counterclaim detailed above had not been disclosed in historic Director's Remuneration Report or Related Party Transaction notes. The Company will provide full disclosure in due course, if necessary.

Transactions with previous Directors and Key Management disclosed in the 2014 Annual Report

During 2014, the Group made sales of £70,000 to, and purchased goods and services totalling £454,000 from Advanced Data Simulations Limited (which has subsequently changed its name to Quob Park Estate Limited ("QPE")), a company controlled by R Terry, a former Director of the Company. In the first quarter of 2015 the Group made sales of fixed assets for £134,000 to QPE. This included an amount of £85,000 for the sale of Quob Barn, the former head office of the Company. In November 2014, as part of the overall settlement with R Terry, the Group granted him a call option to purchase Quob Barn, which he exercised in December 2014. As it was contractually required to do, the Group paid £70,000 in dilapidations and repairs on exiting Quob Barn and impaired its carrying value by £85,000 to the value realised on sale. During 2014, the Group made payments of £10,000 to Quindell Directorial Services, the trading name of R Terry.

In the first quarter of 2015, the Group made payments of £20,000 to Quindell Directorial Services. From February 2015, QPE subleased an apartment from the Group in Ontario, Canada for CDN$66,000 per annum for a period to 20 August 2016 (being the head lease expiration date). There are no further commercial obligations between the Group and QPE or R Terry.

2091205 Ontario Inc, a company owned 50% by T Scurry (Chief Executive, North America during 2014) and 50% by his wife, leased an apartment in Ontario, Canada to the Group for CDN$119,400 per annum, which is the subject of the sublet to QPE noted above.

Bickleigh Ridge Limited, a company connected to S Scott, a former Director of the Company, invoiced the Group £254,000 for consultancy services. At 31 December 2014, the balance owed by the Group in relation to these services was £23,655.

T Bowers invoiced the Group £23,750 for consultancy services. At the end of the year, the balance owed by the Group in relation to these services was £nil.

In April 2014, a vendor of Compass Costs made a disposal of ordinary shares to certain Directors. The Company advanced the consideration for the ordinary shares to the vendor but did not immediately collect a corresponding payment from the Directors such that loans to the Directors were inadvertently created for a short period during the year as detailed below. All loans were settled by the year end:

Director	Amount	Cash received
L Moorse	£20,000	September 2014
R Cooling	£5,000	July 2014
R Bright	£5,000	July 2014
S Scott	£19,000	July 2014
A Bowers	£25,000	July 2014
R Terry	£95,000	December 2014

Transactions with TMC (Southern) Limited

As disclosed in the 2014 Annual Report the Board has concluded, based on the evidence available to it, that TMC was at certain points in 2014 was a related party of the Group. Transactions between TMC and/or its Director, M Ford, and the Group and other related parties of the Group during 2014 are of the following nature:

(a) Transactions in the Company's shares;
(b) Issue of shares in June 2014.

Notes to the Financial Statements (continued)

(a) Transactions in the Company's shares

During 2014 TMC sold shares in the Company to, bought shares from, or lent shares to, various individuals who had a connection with the Company, for example by virtue of being vendors of businesses to the Group. Proceeds from the sale of shares by TMC were remitted to the Group and recognised as a debt owed to TMC. The Group made no pecuniary gain or loss on these transactions, and the dealings in the Company's shares were required to be announced in the usual way. These transactions would not ordinarily fall to be disclosed in the Company's Accounts, but have been described because (a) in some cases these the transactions gave rise to loans to Directors (see below); (b) in order to provide information in relation to the loan owed by the Group to TMC; and (c) for completeness.

Certain Directors made purchases of shares from, and sales of shares to, TMC on an arms length basis. The Group did not make a pecuniary gain or loss on these transactions and the involvement of TMC did not alter the requirements relating to announcements of these transactions by the Directors concerned. However, the Company has identified that for a short period, loans from Quindell to a Director were inadvertently outstanding for a period, prior to the Director remitting payment for the shares, as follows:

- R Cooling: £60,000 was outstanding for the purchase of shares for the period from January 2014 – February 2014
- R Bright: £125,000 was outstanding for the purchase of shares for the period from December 2013 – February 2014.

None of the loans had agreements hence there were no repayment terms attached nor any attributable interest rate. As at 31 December 2014, the amount owed by the Group to TMC was £2,225,000. This balance was partly settled by the payment of £1,006,000 in January 2015 and the balance of £1,219,000 was outstanding at 31 December 2015. The liability was disposed of with the disposal of B.E. Insulated in 8 January 2016 (note 37). The Company has no ongoing business with TMC.

(b) Issue of shares in June 2014

On 18 June 2014, the Company issued 16,899,321 ordinary shares of 1 pence to TMC. The shares remain unpaid as at the statement of financial position date and the Company has yet to call upon TMC for payment. It appears that some form of trust or related arrangement was intended, pursuant to which TMC would hold the shares on behalf of the Company, or possibly on behalf of certain vendors of companies to the Company; although it is not clear that this trust arrangement was documented or effective. The shares have therefore been presented in shares treated as held in treasury within other reserves. It is the intention of the Group to seek either repayment of the unpaid share capital amounting to £169,000 from TMC or apply for the forfeiture of the shares in accordance with the Articles of Association of the Company. In the event that the shares are forfeited, then it is intended that the shares will be cancelled and no further amounts will be receivable from TMC.

Transactions with SMI

On 22 December 2014, the Group entered into an agreement with SMI and others which included, inter alia, the right for the Group to elect, on or before 31 January 2015, for SMI to settle historic research and development costs. SMI was an investment of the Group during the period.

On 1 January 2014, the Group held a 19% investment in SMI with a carrying value of £1,500,000. The Group provided services of £918,000 during the year (2013: £4,260,000) and made purchases on behalf of SMI of £4,960,000 (2013: £3,427,000). At 22 December 2014, the Group had a trade receivable of £9,209,000 due from SMI, which was settled on that date through an option for the Group to acquire a further 14% in SMI to take its stake to 33%, whereupon SMI was reclassified as an associate company. As noted in note 19, the opening investment and trade receivable have been impaired to £nil.

40. Post balance sheet events

On 8 January 2016, the Group announced that, as part of a programme of actions to strategically focus the Group on its key growth areas, it had disposed of the Group's property and maintenance services businesses. The Company's subsidiary BEUK entered into the BEI Agreement. Following the completion of the BEI Agreement, the Group ceased to operate directly in the property and maintenance services sector. Further details are provided in note 36.

On 7 March 2016, and continuing the programme of actions described above, the Group disposed of the entire issued share capital of to QIH (a company owned by Charles Osburn, a statutory director of Quintica) for approximately £1.35 million. In addition, the Group will be entitled to additional consideration in the event that Quintica is disposed of (in whole or part) by QIH in the year following completion of the transaction. Further details are provided in note 36.

41. Dividends

During the year, the Group paid dividends of £nil (2014: 1.5 pence per ordinary share of 15 pence), totalling £nil (2014: £6,180,000).

42. Group Financial Statements for the year ended 31 December 2014 included as comparatives in these Financial Statements

Overview

In preparing the 2014 Financial Statements, the Board took into account all available information in the application of its accounting policies and in forming judgements. The Board undertook extensive investigations of historical transactions which appeared to be unusual and/or with related parties using significant third party legal and accounting support. Nevertheless, although we had discussions with certain members of the previous management team, there were a number of limitations in the information available which led to unresolvable ambiguities in analysing the substance of certain historical acquisitions, revenue and share transactions in respect of 2011, 2012, 2013 and 2014, where the intention or commercial purpose could not be verified and/or the fair value to apply to certain of these transactions could not be assessed, as a result of weaknesses in the books and records maintained by the Company. It is also possible that there were transactions into which the Group entered of which we are unaware. The Board would expect any such transactions affecting the 2014 statement of financial position, if material, to have been identified during the course of preparation of those Financial Statements and related work, but notes the possibility that additional related party transactions may exist which would fall to be disclosed.

As set out below, the Board revised the accounting treatment and/or fair values attributed to a number of these transactions which, based on the information available in preparing the 2014 Financial Statements the Board considered were accounted for incorrectly or where we were unable to establish a reliable fair value. In the absence of further information or discussion with former management to remove any ambiguity behind these transactions the Board considered the revised accounting to be the most appropriate presentation. Where there remained limitations to the information or ambiguities, the Board took an appropriately prudent view in assessing the recognition and valuation of assets and liabilities as at 31 December 2014. As a result, whilst it cannot be ruled out that there were transactions that should be reflected in the statement of financial position at that date of which the Board is unaware, the Board is satisfied that the statement of financial position at 31 December 2014 is presented fairly in all material respects.

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

A description of the revisions to accounting policies and prior year adjustments as a result of the matters noted above is set out below. The explanation is copied verbatim from note 3 in the 2014 Financial Statements, except that the tables setting out the quantitative changes to 2013 and 2012 Financial Statements have been omitted as they are not relevant to these Financial Statements.

Notes to the Financial Statements (continued)

Disclosures in respect of related party transactions included in the 2014 Financial Statements

The disclosures in respect of related party transactions which were set out in note 39 to the 2014 Financial Statements are copied verbatim below, except that the parts of that disclosure setting out transactions with related businesses, disclosures in relation to current Directors and key management and Compensation of key management personnel, have been omitted as they are not relevant to these Financial Statements.

Verbatim extracts from the 2014 Financial Statements (Reference to "notes" or defined terms in these extracts are to those included within the 2014 Financial Statements which may not be replicated in the 2015 Financial Statements)

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

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

PSD revenue recognition and related accounting entries

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements (continued)

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

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

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

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

Other prior year adjustments ("PYA")

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

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

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

These PYA relate to the following areas:

(a) Mission Capital reverse acquisition;
(b) Transactions with TMC;
(c) Acquisition related consideration, share-based payments, share transactions and equity swaps; and
(d) Revenues from sales to companies that were subsequently acquired.

PYA A: Mission Capital reverse acquisition in 2011

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

PYA B: Transactions with TMC in 2011

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

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

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

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

Acquisition related consideration

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

Notes to the Financial Statements (continued)

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

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

Share-based payments

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

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

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

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

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

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

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

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

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

Share transactions

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

Equity swaps

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

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

Notes to the Financial Statements (continued)

ALH Equity Swap

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

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

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

360 Equity Swap

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

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

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

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

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

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

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

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

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

As discussed in the Strategic Report, the management team responsible for organising and implementing the transactions are no longer employed by the Group. The Board has reconsidered the accounting analysis in respect of the 2014 transactions and concluded that the contracts entered into in 2014 should not be treated as revenue generative under IAS 18 and should not be recognised based on there being linked transactions and/or uncertainty regarding their contracted values.

With regard to one transaction with an agreed value of £6.0m, although it is not considered that this transaction lacked commercial substance, fair values have not been able to be attributed to each component of the overall transaction. Without access to the management or Directors at that time, the Board are unable to obtain further evidence to support the fair values. The Group has, therefore, concluded that the transaction should not have been treated as revenue generative.

As a result of this review, the Board, in conjunction with the Auditor, has conducted a review of certain prior year revenue transactions to consider whether all available information in respect of these transactions was taken into account in the preparation and presentation of the Financial Statements.

This review identified that there was information that ought to have been available to the Board and Auditor at that time in taking into account whether the transactions were revenue generative under IAS 18. Had the Board at that time taken this additional information into account, or had the information been made available to the Auditor, including side agreements and cash flow arrangements, revenue should not have been recognised in respect of those transactions.

Notes to the Financial Statements (continued)

The Board has reviewed these transactions and, whilst recognising that there are remaining uncertainties in determining the commercial nature and appropriate pricing of the software (or other rights or services) sold, has formed the opinion that these transactions, whilst varying in their individual detail, should not be recorded as giving rise to revenue that should be recorded in the Financial Statements. Accordingly, the Board has adjusted the Financial Statements to remove the following revenues and profits reported in 2013 from these transactions with companies subsequently acquired:

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

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

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

Company	Sale by Company	Revenue	Impact on Profit
		£000	£000
Himex Limited	Distribution licence	9,100	9,100

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

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

Transactions with TMC

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

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

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

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

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

The key additional disclosures cover the following areas:

Transactions in the Company's shares

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

Acquisition of BEUK

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

Issue of shares in June 2014

On 18 June 2014, the Company issued 16,899,321 ordinary shares of 1 pence to TMC. The shares remain unpaid as at the Statement of Financial Position date and the Company has yet to call upon TMC for payment. It appears that some form of trust or related arrangement was intended, pursuant to which TMC would hold the shares on behalf of the Company, or possibly on behalf of certain vendors of companies to the Company; although it is not clear that this trust arrangement was documented or effective. The Company holds a corresponding share certificate for 1,126,621 ordinary shares of 15 pence in safekeeping. The shares have therefore been presented in own equity. It is the intention of the Group to seek either repayment of the unpaid share capital amounting to £169,000 from TMC or apply for the forfeiture of the shares in accordance with the Articles of Association of the Company. In the event that the shares are forfeited, then it is intended that the shares will be cancelled and no further amounts will be receivable from TMC.

Notes to the Financial Statements (continued)

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

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

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

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

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

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

Notes to the Financial Statements (continued)

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

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

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

Transactions with previous Directors and Key Management

During 2014, the Group made sales of £70,000 (2013: £1,000) to, and purchased goods and services totalling £454,000 (2013: £77,000) and fixed assets of £nil (2013: £90,000) from Advanced Data Simulations Limited (which has subsequently changed its name to Quob Park Estate Limited ("QPE")), a company controlled by R Terry, a former Director of the Company. In the first quarter of 2015 the Group made sales of fixed assets for £134,000 to QPE. This included an amount of £85,000 for the sale of Quob Barn, the former head office of the Company. In November 2014, as part of the overall settlement with R Terry, the Group granted him a call option to purchase Quob Barn, which he exercised in December 2014. The Group paid £70,000 in dilapidations and repairs on exiting Quob Barn and impaired its carrying value by £85,000 to the value realised on sale. During 2014, the Group made payments of £10,000 to Quindell Directorial Services, the trading name of R Terry.

In the first quarter of 2015, the Group made payments of £20,000 to Quindell Directorial Services. From February 2015, QPE subleased an apartment from the Group in Ontario, Canada for CDN$66,000 per annum for a period to 20 August 2016 (being the head lease expiration date). There are no further commercial obligations between the Group and QPE or R Terry.

Bickleigh Ridge Limited, a company connected to S Scott, a former Director of the Company, invoiced the Group £254,000 (2013: £266,000) for consultancy services. At the end of the year, the balance owed by the Group in relation to these services was £23,655 (2013: £nil).

T Bowers invoiced the Group £23,750 (2013: £31,000) for consultancy services. At the end of the year, the balance owed by the Group in relation to these services was £nil (2013: £4,875).

In April 2014, a vendor of Compass Costs made a disposal of ordinary shares to certain Directors. The Company advanced the consideration for the ordinary shares to the vendor but did not immediately collect a corresponding payment from the Directors such that loans to the Directors were inadvertently created for a short period during the year as detailed below. All loans were settled by the year end:

				Cash received
Laurence Moorse	Purchase	£20,000	Creditor	September 2014
Robert Cooling	Purchase	£5,000	Creditor	July 2014
Robert Bright	Purchase	£5,000	Creditor	July 2014
Steve Scott	Purchase	£19,000	Creditor	July 2014
Anthony Bowers	Purchase	£25,000	Creditor	July 2014
Rob Terry	Purchase	£95,000	Creditor	December 2014

In April 2013, Ubiquity, a company part owned by J Cale, a non-executive Director of the Company until September 2013, acted for the vendors of Compass Costs in respect of its acquisition by the Company. Ubiquity was entitled to receive a fee from the vendors of Compass Costs equivalent to 6% of the consideration payable to those vendors in the form of ordinary shares ("Compass Fee Shares"). At this time, the Company advanced £500,000 in cash to Ubiquity, to be repaid out of the Compass Fee Shares ("Ubiquity Advance"). Following completion, Ubiquity and the vendors agreed that the Compass Fee Shares would be sold at Ubiquity's direction and that the proceeds of sale, less a 10% retention, would be paid to Ubiquity. The proceeds of the Compass Fee Shares were used to part-repay the Ubiquity Advance. A further remittance of £187,000 was subsequently made by Ubiquity to settle the Ubiquity Advance in full.

Transactions with TMC

In reviewing a number of historic transactions, summarised further below, the Board has concluded, based on the evidence available to it, that TMC was at certain points in time a related party of the Group, though it never had a shareholding in TMC. In light of this, and because aspects of the Company's transactions with TMC require disclosure, the Company has provided below, for completeness, a description of its relationship with TMC from 2011 onwards.

Notes to the Financial Statements (continued)

Although in some respects the nature of the relationship between TMC and the Group is unclear, the Board does not consider that the substance of the economic relationships between TMC and the Group for the years 2013 and 2014 indicate that it controlled TMC.

Background information and disclosures in relation to transactions with TMC are set out below:

Background

On 1 April 2011, QTL, prior to its admission to AIM via reverse acquisition of Mission Capital in July 2011, the Company acquired a beneficial interest in outsourced sales contracts operated by TMC largely relating to the sales of gas and electric contracts to primarily consumer households ("TMC Contracts Agreement"). Under the terms of the TMC Contracts Agreement, in addition to an initial 2 million QTL shares, TMC was entitled to receive up to 140 million new ordinary shares of 1 pence in the Company subject to achieving a target contribution of £1.2m ("Earnout Target").

Pursuant to the TMC Contracts Agreement certain non-trading revenues of TMC were capable of contributing to the achievement of the Earnout Target. In particular, the Company announced on 17 May 2011 that TMC had acquired Utility Switch Limited ("Utility Switch") for £600,000. The Company subsequently acquired Utility Switch from TMC. The acquisition of Utility Switch generated £200,000 of profits for TMC, which contributed towards the assessment of the Earnout Target.

On 2 December 2011, the Company announced that it has agreed an early settlement ("Settlement") of the Earnout Target and 140 million ordinary shares of 1 pence in the Company were allotted to TMC. At this time, certain contracts were disposed of by the Company to TMC for a stated consideration of £2.0m. The balance of TMC's contracts were transferred into a company, UK Sun Limited, which was acquired by the Company pursuant to the Settlement. The original accounting entries for this transaction have been dealt with in note 3. As at 31 December 2011, TMC held approximately 73.5 million ordinary shares of 1 pence in the Company and continued to operate as a business in its own right.

Further transactions

Additional transactions between TMC and/or its Director, M Ford, and the Group and other related parties of the Group took place during 2012, 2013 and 2014 and are of the following nature:

(a) Transactions in the Company's shares;
(b) Acquisition of BEUK;
(c) 360 Equity Swap (as defined in note 3); and
(d) Issue of shares in June 2014.

(a) Transactions in the Company's shares

During 2012, 2013 and 2014, TMC sold shares in the Company to, bought shares from, or lent shares to, various individuals who had a connection with the Company, for example by virtue of being vendors of businesses to the Group. Proceeds from the sale of shares by TMC were remitted to the Group and recognised as a debt owed to TMC. The Group made no pecuniary gain or loss on these transactions, and the dealings in the Company's shares were required to be announced in the usual way. These transactions would not ordinarily fall to be disclosed in the Company's Accounts, but have been described because (a) in some cases these the transactions gave rise to loans to Directors (see below); (b) in order to provide information in relation to the loan owed by the Group to TMC; and (c) for completeness.

Certain Directors made purchases of shares from, and sales of shares to, TMC on an arms length basis. The Group did not make a pecuniary gain or loss on these transactions and the involvement of TMC did not alter the requirements relating to announcements of these transactions by the directors concerned. However, the Company has identified that for a short period, loans from Quindell to a Director were inadvertently outstanding for a period, prior to the Director remitting payment for the shares, as follows:

- R Cooling: £60,000 was outstanding for the purchase of shares for the period from January 2014 – February 2014
- R Bright: £125,000 was outstanding for the purchase of shares for the period from December 2013 – February 2014.

None of the loans had agreements hence there were no repayment terms attached nor any attributable interest rate. As at 31 December 2013, the amount owed by the Group to TMC was £162,000. As at 31 December 2014, the amount owed by the Group to TMC was £2,225,000. This balance was partly settled by the payment of £1,006,000 in January 2015 and the balance of £1,219,000 remains outstanding. The Company has no ongoing business with TMC.

(b) Acquisition of BEUK

In July 2012, M Ford sold to Quindell 51% of a business which was subsequently renamed BEUK and certain other rights for £1.8m. In 2013, Quindell acquired the remaining 49% of BEUK in connection with the acquisition of QPS. Also in 2013, Quindell entered into an agreement with M Ford by which a warranty claim in respect of the acquisition of BEUK was settled, by the forgiveness of a balance of £1.6m owed.

(c) 360 Equity Swap

On 2 May 2013, as part of the transaction to acquire QPS, the Company acquired a further 40.8% of 360 (taking its interest in 360 to 60%). Pursuant to the terms of the acquisition of 360, the Company issued 23,428,572 shares of 1 pence (the "New Shares") at 360's direction to Yorkville. 360 already owned shares in the Company (the "Existing Shares") as a result of the Company's previous investment in 360 which were also transferred to Yorkville. The New Shares and the Existing Shares were together the subject of the 360 Equity Swap. The terms of the 360 Equity Swap provided for the sale each month by Yorkville of a specified number of the Company's shares and for a monthly payment by Yorkville to 360, the value of which was dependent on the Company's share price.

360 subsequently novated its interest in the 360 Equity Swap to TMC for a total of £4.0m to be paid by TMC to 360 in equal instalments over a 24 month period ("Swap Payments"). Notwithstanding the fact that the Company was not a party to, or a beneficiary of, the 360 Equity Swap, inflows of cash from the 360 Equity Swap which were due to TMC were paid by Yorkville through a Group bank account and used to fund the Swap Payments to 360 on a monthly basis. Over the life of the 360 Equity Swap, TMC realised a gain of £2.3m but no gain or loss was made by the Group as, although the Swap Payments were remitted to the Group, it recognised a corresponding increase in the debt it owed to TMC. The gain has, however, subsequently been transferred to the Group as part of a wider settlement of its arrangements with TMC and M Ford. As disclosed in note 3, the Board has also reassessed the underlying commercial arrangements and concluded that the shares should be treated as held in treasury.

(d) Issue of shares in June 2014

On 18 June 2014, the Company issued 16,899,321 ordinary shares of 1 pence to TMC. The shares remain unpaid as at the statement of financial position date and the Company has yet to call upon TMC for payment. It appears that some form of trust or related arrangement was intended, pursuant to which TMC would hold the shares on behalf of the Company, or possibly on behalf of certain vendors of companies to the Company; although it is not clear that this trust arrangement was documented or effective. The Company holds a corresponding share certificate for 1,126,621 ordinary shares of 15 pence in safekeeping. The shares have therefore been presented in shares treated as held in treasury within other reserves. It is the intention of the Group to seek either repayment of the unpaid share capital amounting to £169,000 from TMC or apply for the forfeiture of the shares in accordance with the Articles of Association of the Company. In the event that the shares are forfeited, then it is intended that the shares will be cancelled and no further amounts will be receivable from TMC.

Transactions with SMI

On 22 December 2014, the Group entered into an agreement with SMI and others which included, inter alia, the right for the Group to elect, on or before 31 January 2015, for SMI to settle historic research and development costs, more details are provided in note 40. SMI was an investment of the Group during the period.

On 1 January 2014, the Group held a 19% investment in SMI with a carrying value of £1,500,000. The Group provided services of £918,000 during the year (2013: £4,260,000) and made purchases on behalf of SMI of £4,960,000 (2013: £3,427,000). At 22 December 2014, the Group had a trade receivable of £9,209,000 due from SMI, which was settled on that date through an option for the Group to acquire a further 14% in SMI to take its stake to 33%, whereupon SMI was reclassified as an associate company. As noted in note 19, the opening investment and trade receivable have been impaired to £nil.

Company Statement of Financial Position

as at 31 December 2015	Note	2015 £000	2014 £000
Non-current assets			
Intangible assets	45	**–**	2,241
Property, plant and equipment	46	**1,484**	1,580
Investments in subsidiaries	47	**43,076**	121,751
Interests in associates	47	**86**	7,169
Investments	47	**–**	1,621
		44,646	134,362
Current assets			
Trade and other receivables	48	**87,041**	116,544
Corporation tax assets		**787**	3,322
Cash and cash equivalents	49	**97,639**	29,740
		185,467	149,606
Assets of disposal group classified as held for sale		**–**	371,211
Total current assets		**185,467**	520,817
Total assets		**230,113**	655,179
Current liabilities			
Other loans	50	**–**	(2,000)
Trade and other payables	50	**(72,687)**	(79,101)
Provisions	50	**(28,322)**	(23,016)
		(101,009)	(104,117)
Liabilities of disposal group classified as held for sale		**–**	(21,653)
Total current liabilities		**(101,009)**	(125,770)
Non-current liabilities			
Deferred tax liabilities	50	**(28)**	(9)
		(28)	(9)
Total liabilities		**(101,037)**	(125,779)
Net assets		**129,076**	529,400
Equity			
Share capital	52	**4,596**	65,467
Other reserves	53	**138,494**	670,512
Retained earnings	53	**(14,014)**	(206,579)
Total equity		**129,076**	529,400

The Financial Statements of the Company, registered number 05542221, on pages 114 to 132 were approved by the Directors on 27 May 2016 and signed on its behalf by:

Mark P Williams
Director

David Young
Director

Company Cash Flow Statement

for the year ended 31 December 2015	Note	2015 £000	2014 £000
Cash flows from operating activities			
Cash used by operations before exceptional costs, net finance expense and tax		**(52,131)**	(34,381)
Cash outflow from exceptional items		**(5,547)**	(2,108)
Cash used by operations before net finance expense and tax		**(57,678)**	(36,489)
Corporation tax received/(paid)		**366**	(24,215)
Net cash used by operating activities		**(57,312)**	(60,704)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(31)**	(140)
Purchase of intangible fixed assets		**–**	(45)
Advance receipt in respect of sale of PSD		**–**	8,047
Sale of PSD		**558,739**	–
Acquisition of subsidiaries		**(1,000)**	(32,142)
Sale of subsidiaries		**5,194**	–
Sale of associated undertakings		**7,069**	–
Net movement on loans with group undertakings		**(23,418)**	3,395
Deposits held in escrow		**–**	(3,000)
Dividends received from associates		**–**	208
Net cash generated by/(used in) investing activities		**546,553**	(23,677)
Cash flows from financing activities			
Net finance income received		**2,375**	293
Dividends paid		**–**	(6,180)
Issue of share capital		**1,305**	100
Repayment of secured loans		**(2,000)**	–
Return of capital		**(411,871)**	–
Cash out of options		**(11,150)**	–
Net cash used in financing activities		**(421,341)**	(5,787)
Net increase/(decrease) in cash and cash equivalents		**67,899**	(90,168)
Cash and cash equivalents at the beginning of the year		**29,740**	119,908
Cash and cash equivalents at the end of the year		**97,639**	29,740

Company Statement of Changes in Equity

for the year ended 31 December 2015	Share capital	Share premium account	Merger reserve	Shares to be issued	Other equity reserve	Share-based payments reserve	Shares treated as held in treasury	Total other reserves	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 January 2015 (as restated (note 5))	65,467	447,533	171,637	30,744	54	20,713	(169)	670,512	(206,579)	529,400
Profit for the year	–	–	–	–	–	–	–	–	228	228
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	–	–	–	228	228
Issue of share capital (notes 28, 29)	2,734	29,426	–	(21,047)	–	(5,652)	–	2,727	–	5,461
Shares no longer issuable (note 29)	–	–	–	(9,697)	–	–	–	(9,697)	9,470	(227)
Cash out of options (note 28)	–	–	–	–	–	–	–	–	(11,150)	(11,150)
Effect of capital reduction and return of capital (note 28)	(63,605)	(349,708)	–	–	–	–	–	(349,708)	1,442	(411,871)
Share-based payments (note 28)	–	–	–	–	–	17,235	–	17,235	–	17,235
Reserves adjustments, including transfer of realised profits to retained earnings (note 29)	–	–	(164,107)	–	–	(28,637)	169	(192,575)	192,575	–
Total transactions with owners, recognised directly in equity	(60,871)	(320,282)	(164,107)	(30,744)	–	(17,054)	169	(532,018)	192,337	(400,552)
At 31 December 2015	4,596	127,251	7,530	–	54	3,659	–	138,494	(14,014)	129,076

for the year ended 31 December 2014	Share capital	Share premium account	Merger reserve	Shares to be issued	Other equity reserve	Share-based payments reserve	Shares treated as held in treasury	Total other reserves	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 January 2014	56,700	322,905	124,699	55,505	54	6,153	(2,852)	506,464	7,131	570,295
Issue of share capital in respect of prior years (note 5)	–	11,278	(11,278)	–	–	–	–	–	–	–
At 1 January 2014 (restated)	56,700	334,183	113,421	55,505	54	6,153	(2,852)	506,464	7,131	570,295
Profit for the year	–	–	–	–	–	–	–	–	(231,736)	(231,736)
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	–	–	–	(231,736)	(231,736)
Issue of share capital (note 5)	8,767	111,646	58,216	(73,802)	–	(2,826)	–	93,234	–	102,001
Shares to be issued	–	–	–	73,118	–	–	–	73,118	–	73,118
Shares treated as held in treasury	–	–	–	–	–	–	(169)	(169)	–	(169)
Shares no longer issuable	–	–	–	(24,077)	–	–	–	(24,077)	24,077	–
Disposal of shares treated as held in treasury	–	1,704	–	–	–	–	2,852	4,556	(79)	4,477
Share-based payments	–	–	–	–	–	17,386	–	17,386	–	17,386
Dividends received	–	–	–	–	–	–	–	–	208	208
Dividends paid	–	–	–	–	–	–	–	–	(6,180)	(6,180)
Total transactions with owners, recognised directly in equity	8,767	113,350	58,216	(24,761)	–	14,560	2,683	164,048	18,026	190,841
At 31 December 2014	65,467	447,533	171,637	30,744	54	20,713	(169)	670,512	(206,579)	529,400

Notes to the Financial Statements (continued)

43. General information

Watchstone Group plc is a company registered and domiciled in the United Kingdom. The Financial Statements are presented in pounds sterling, to the nearest thousand, as this is the currency of the primary economic environment in which the Company operates. The address of the registered office is 1 Barnes Wallis Road, Segensworth East, Fareham, Hampshire PO15 5UA.

44. Significant accounting policies

The principal accounting policies adopted in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented, except as described in note 3.

Basis of preparation

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations adopted by the European Union (EU). The Financial Statements have been prepared under the historical cost convention. A summary of the significant Company accounting policies is set out below. The Company has reviewed its accounting policies in accordance with IAS 8 and determined that they are appropriate for the Company and have been consistently applied.

In preparing these Financial Statements the board has taken into account all available information in the application of its accounting policies and in forming judgements.

The Company holds significant cash reserves and no material debt. The Company has concluded that its cash reserves together with ongoing operating cash flows, and receipts of deferred consideration from the disposal of the Professional Services Division will be sufficient to fund the ongoing operations of the Company.

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

Income Statement and Statement of Comprehensive Income

The Company has not presented its own Income Statement and Statement of Comprehensive Income as permitted by section 408 of the Companies Act 2006.

Assets and disposal groups held for sale

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

Discounting of cost of acquisition monies

In accordance with IFRS 3 where consideration is locked in to future conditions and requirements, the value of such consideration is discounted by the Company's cost of equity for the time value of money. The impact of this adjustment on the Company Statement of Financial Position is £nil (2014: £1.1 million). The Financial Statement line items impacted are a reduction in Investments and a corresponding reduction in share premium for the amounts noted.

Operating profit

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

Share-based payments

Warrants

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

Notes to the Financial Statements (continued)

Options

The fair value of options granted to individuals is recognised as an expense, with a corresponding increase in equity, over the period in which the unconditional entitlement occurs. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options expected to vest. Upon the exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital and share premium. The Company adopted a Black-Scholes model to calculate the fair value of options granted. Costs relating to employees of subsidiaries has been accounted for by increasing the Company's cost of investment of those subsidiaries.

Post combination vendor remuneration

Where consideration towards an acquisition is linked to ongoing employment within the Company this consideration is not treated as a cost of the acquisition. It is treated as post combination remuneration and is recognised in the Income Statement over the period in which the employment services are delivered. The valuation of such amounts, where the form of the payment is in shares, uses an option valuation model. Where such costs relate to employees of subsidiaries, this has been accounted for by increasing the Company's cost of investment of those subsidiaries.

Other intangible assets

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

- Data and brands: between 2-10 years; and
- Customer contracts: over the anticipated life of contracts.
- Internal costs are capitalised where these are directly attributable to the intangible asset.

Impairment of tangible fixed assets and intangible assets excluding goodwill

At each Statement of Financial Position date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of the asset's value in use and its fair value less costs to sell. Value in use is calculated using cash flow projections for the asset (or group of assets where cash flows are not identifiable for specific assets) discounted at a pre-tax discount rate based on the Company's cost of capital adjusted to reflect current market assessment of time value of money and the risk specific to the asset or cash-generating unit. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense in the Statement of Comprehensive Income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. Depreciation is not provided on freehold land. On other assets, depreciation is calculated to write off the cost less estimated residual values over their estimated useful lives as follows:

- Freehold buildings: 2%-5% per annum straight line
- Improvements to freehold land and buildings: 5%-10% per annum straight line
- Improvement to leasehold land and buildings: Over the term of the lease
- Plant and equipment: 20%-33⅓% per annum reducing balance

Assets in the course of construction are capitalised as expenditure is incurred. Depreciation is not charged until the asset is brought into use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease. Residual value is based on the estimated amount that would currently be obtained from disposal. Estimated residual values and useful economic lives are reviewed annually and adjusted where necessary.

Trade receivables

Trade receivables are held at amortised cost less any impairment provisions and this equates to their recoverable value. Movements in the impairment provision relating to credit risk are recognised within administrative expenses as bad debt expenses.

Trade payables

Trade payables do not carry any interest and are stated at their fair value.

Cash and cash equivalents

Cash in the Statement of Financial Position comprises cash at banks and in hand. For the purpose of the Consolidated Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation in respect of a past event and it is probable that settlement will be required of an amount that can be reliably estimated.

Taxation including deferred tax

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

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

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

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

Share capital

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

Exceptional costs

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

Notes to the Financial Statements (continued)

45. Intangible Assets

	Customer contracts, data, brands and relationships
	£000
Cost	
At 1 January 2014	5,125
Additions	45
At 1 January 2015	**5,170**
Disposals	**(3,232)**
At 31 December 2015	**1,938**
Amortisation	
At 1 January 2014	548
Charge for the year	838
Impairments	1,543
At 1 January 2015	**2,929**
Charge for the year	**337**
Disposals	**(1,400)**
Impairments	**72**
At 31 December 2015	**1,938**
Net book value	
31 December 2015	–
31 December 2014	2,241

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

The Company has conducted a review of all intangible assets at the balance sheet date and identified assets previously valued at £72,000 (2014: £1,543,000) which are or will become obsolete, either because they are unused and are expected to remain so or will be replaced by other similar and existing assets held by the Company at the balance sheet date. The impairment charge is included within exceptional costs.

For further information please see note 15.

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

46. Property, plant and equipment

	Leasehold land and buildings
	£000
Cost	
At 1 January 2014	1,675
Additions	140
At 1 January 2015	**1,815**
Additions	**31**
At 31 December 2015	**1,846**
Depreciation	
At 1 January 2014	110
Charge for the year	125
At 1 January 2015	**235**
Charge for the year	**127**
At 31 December 2015	**362**
Net book value	
31 December 2015	**1,484**
31 December 2014	1,580

47. Investments

	Shares in investments	Shares in associates	Shares in group undertakings	Total
	£000	£000	£000	£000
Cost				
At 1 January 2014	3,188	36,669	268,871	308,728
Additions	–	500	184,384	184,884
Reclassifications	–	(21,698)	21,698	–
Transfer to assets of disposal group classified as held for sale	–	–	(217,495)	(217,495)
At 1 January 2015	**3,188**	**15,471**	**257,458**	**276,117**
Additions	**–**	**–**	**9,158**	**9,158**
Disposals	**(1,688)**	**(9,504)**	**(1,815)**	**(13,007)**
Other	**–**	**(278)**	**–**	**(278)**
At 31 December 2015	**1,500**	**5,689**	**264,801**	**271,990**
Impairment				
At 1 January 2014	–	1,206	413	1,619
Charge for the year	1,567	7,096	135,294	143,957
At 1 January 2015	**1,567**	**8,302**	**135,707**	**145,576**
Charge for the year	**(12)**	**14**	**86,018**	**86,020**
Disposals	**(55)**	**(2,435)**	**–**	**(2,490)**
Other	**–**	**(278)**	**–**	**(278)**
At 31 December 2015	**1,500**	**5,603**	**221,725**	**228,828**
Net book value				
31 December 2015	**–**	**86**	**43,076**	**43,162**
31 December 2014	1,621	7,169	121,751	130,541

Notes to the Financial Statements (continued)

The following information relates to the related undertakings of the Company. Unless otherwise stated, all holdings are 100% and the principal activity of the undertaking is the provision of software, consulting and other services.

Name of investment	Country of incorporation	Nature of holding	Class and percentage of shares held (100% ordinary shares unless otherwise stated)
7211589 Canada Inc	Canada	Indirect	
ACH Management Services Limited	UK	Direct	
BE Insulated (UK) Limited*	UK	Indirect	
BestPriceHotDeals Limited	UK	Indirect	50%
Blackspot Interactive Limited	UK	Indirect	
Blackspot Limited	UK	Indirect	
Brand Extension (UK) Limited	UK	Indirect	
Business Advisory Service Limited	UK	Direct	
Carbon Reduction Company (UK) Limited*	UK	Indirect	
Connected Car Solutions Inc	Canada	Indirect	
Connected Car Solutions Limited	UK	Direct	
Edgewater Employee Services Inc	Canada	Indirect	50%
Enzyme International Limited	UK	Indirect	
Ferneham Health Limited*	UK	Direct	49%
Glanty Limited	UK	Direct	3.15%
Hubio Inc	USA	Indirect	
Hubio SaaS Solutions Inc	Canada	Direct	
Hubio Solutions Inc	Canada	Indirect	
Hubio Solutions Limited	UK	Direct	99.92%
Hubio Technologies Limited	UK	Direct	
ingenie (Canada) Inc	Canada	Indirect	
ingenie (UK) Limited	UK	Indirect	
ingenie (US) Limited	USA	Indirect	
ingenie Limited	UK	Direct	
ingenie Services Limited	UK	Indirect	
ingenie Software Limited	UK	Indirect	
Ingleby (1653) Limited	UK	Indirect	
Intrinsic Holding Company Inc	Canada	Indirect	
Intrinsync Insurance Company Inc	Canada	Indirect	
Iter8 (USA) Inc	USA	Indirect	
Iter8 Consulting Services Inc	Canada	Indirect	
LocX Inc	USA	Indirect	
Maine Finance Limited	UK	Indirect	
Metaskil Group Limited	UK	Direct	
Metaskil Limited	UK	Indirect	
Mileage Management Limited	UK	Indirect	
Morpheus Holdings Limited	UK	Indirect	
Navseeker Inc	USA	Indirect	88.33%
eeGeo Inc	USA	Indirect	10.85%
Open Square Limited	UK	Indirect	
Overland Associates Limited	UK	Direct	
Physiotherapy Rehabilitation Services Limited	UK	Indirect	
pt Health Aspen Limited Partnership	Canada	Indirect	51%
pt Health NB 2015 Professional Corporation Inc	Canada	Indirect	25% common shares, 100% preference shares

* Denotes sold after the year end – see note 37.

Name of investment	Country of incorporation	Nature of holding	Class and percentage of shares held (100% ordinary shares unless otherwise stated)
PT Healthcare Solutions Corp	Canada	Indirect	
QPS Energy Limited	UK	Indirect	
QPS Scaffolding Limited	UK	Indirect	
QPS South West Limited	UK	Indirect	
QSM (UK) Limited	UK	Indirect	
Quindell Business Process Outsourcing (Pty) Limited	South Africa	Indirect	
Quindell Business Process Services Limited	UK	Direct	98.4%
Quindell Champion and Challenger Methods Limited	UK	Direct	
Quindell Enterprise Solutions Limited	UK	Indirect	
Quindell Financial Services Limited	UK	Indirect	
Quindell Motor Services Limited	UK	Direct	
Quindell Property Services Limited	UK	Direct	
Quindell Services Inc	Canada	Indirect	
Quintica Asia Pacific*	Australia	Indirect	
Quintica Ghana Limited*	Ghana	Indirect	
Quintica Group FZE*	Dubai	Indirect	
Quintica Group Shared Services (Pty) Limited*	South Africa	Indirect	
Quintica Gulf IT Consulting LLC*	Abu Dhabi	Indirect	
Quintica Holdings Limited*	UK	Direct	
Quintica International Limited*	Mauritius	Indirect	
Quintica Kenya Limited*	Kenya	Indirect	
Quintica SA (PTY) Limited*	South Africa	Indirect	
Quintica Uganda Limited*	Uganda	Indirect	
Quintica West Africa Nigeria Limited*	Nigeria	Indirect	
Road Angel Group Limited	UK	Indirect	
Road Angel Pogo Limited	UK	Indirect	
RoadPilot Limited	UK	Indirect	
SH Auto Services Limited	UK	Indirect	
Skillwise Consulting Limited	UK	Indirect	
Quob Park Solutions Limited	UK	Direct	5.3%
Quob Park Telecoms Limited	UK	Indirect	5.3%
SMI Telecoms Distribution Limited	UK	Indirect	
SMI Telecoms Distribution LLC	USA	Indirect	
SMI Telecoms LLC	USA	Indirect	5.3%
Sunlite Solutions Limited	UK	Indirect	
SWB Consulting Limited	UK	Indirect	
UK Sun Limited	UK	Indirect	
Utility Supplier Services Limited	UK	Indirect	
Utility Switch Limited	UK	Indirect	
Watchstone (Canada) Inc	Canada	Direct	
Watchstone Brand Additions Limited	UK	Direct	
Watchstone Limited	UK	Direct	
Watchstone Telematics Limited	UK	Direct	

* Denotes sold after the year end – see note 37.

Notes to the Financial Statements (continued)

All of the financial year ends of the Groups subsidiaries have been aligned to 31 December 2015, with the exception of Quindell Financial Services Limited, which has a year end date of 31 July: The above investments are treated as consolidated subsidiaries of the Group, with the exception of those set out below.

The following information relates to investments of the Company treated as associates within the Group accounts (see note 18).

Name of investment	Country of incorporation	Nature of holding
Ferneham Health Limited (49%)*	UK	Direct

The following information relates to investments of the Company also treated as investments within the Group accounts (see note 19):

Name of investment	Country of incorporation	Nature of holding
Quob Park Solutions Limited (5.3%)	UK	Direct
eeGeo Inc (10.85%)	USA	Indirect

The fair value of investments was assessed on sales value less cost to sell and falls within Level 3 of the fair value hierarchy.

In March 2016, as a result of an investment by a new third party, the Company’s interest in eeGeo Limited reduced to 8.9%

48. Trade and other receivables

	2015	2014
	£000	£000
Trade receivables (net of impairment provision)	**–**	2,424
Payroll and other taxes including social security	**567**	–
Other debtors	**1,553**	4,672
Monies held in Escrow	**55,049**	–
Prepayments	**111**	576
Accrued income	**–**	396
Amounts due from subsidiary undertakings	**29,761**	108,476
	87,041	116,544

All receivables fall due within one year of the balance sheet date. The Directors consider that the net carrying amount of trade receivables approximates to their fair value.

49. Cash and cash equivalents

Cash and cash equivalents which comprise investments in AAA/AA bank deposits, which can be withdrawn without notice, comprise the following for the purpose of the cash flow statement:

	2015	2014
	£000	£000
Cash and cash equivalents	**97,639**	29,740

50. Liabilities

	2015	2014
	£000	£000
Current liabilities		
Other loans	**–**	2,000
Trade payables	**1,692**	2,498
Payroll and other taxes including social security	**–**	4,191
Amounts owed to Group undertakings	**56,671**	52,079
Other creditors	**3,960**	12,805
Accruals	**10,364**	7,528
Provisions	**28,322**	23,016
	101,009	104,117
Non-current liabilities		
Deferred tax liabilities	**28**	9
	28	9

The Directors consider that the net carrying amount of liabilities approximates to their fair value.

The analysis of provisions is as follows:

	Tax related matters	**Legal disputes**	**Other**	**Total**
	£000	**£000**	**£000**	**£000**
At 1 January 2014	4,341	–	–	4,341
Additional provisions	12,356	5,538	781	18,675
At 1 January 2015	**16,697**	**5,538**	**781**	**23,016**
Additional provisions	**4,000**	**4,400**	**6,218**	**14,618**
Unused amounts reversed	**–**	**(5,538)**	**–**	**(5,538)**
Used during the year	**–**	**–**	**(3,774)**	**(3,774)**
At 31 December 2015	**20,697**	**4,400**	**3,225**	**28,322**
Split:				
Non-current	–	–	–	–
Current	20,697	4,400	3,225	28,322

Tax related matters

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

Legal disputes

The amount provided in respect of legal cases (including investigations and defence costs) is considered to be in the mid-range of possible outcomes given the uncertainty in relation to these outcomes. The final costs may be lower or higher than the provision recognised above depending upon how protracted such legal cases turn out to be.

On 23 June 2015, the Financial Conduct Authority ("FCA") informed the Company that it had commenced an investigation under the Financial Services and Markets Act 2000 in relation to public statements made regarding the financial accounts of the Group during 2013 and 2014. On 5 August 2015, the SFO informed the Company that it had opened an investigation, which relates to past business and accounting practices at the Group. On the same date, the Financial Reporting Council ("the Committee") advised the Company that, in light of the positive actions taken by the Directors in correcting the identified errors, amending accounting policies and providing their undertakings, the Committee had closed its review of the 2011 and 2012 report and accounts.

On 18 August 2015, the FCA announced that, in light of the above investigation by the SFO it had decided to discontinue its own investigation with immediate effect. The Company is co-operating fully with the SFO investigation which is now the only ongoing investigation to which the Company is aware of. At this stage, the timing of completion of the SFO investigation and its conclusions cannot be anticipated. Therefore, having taken external advice, no liability has been recognised at the balance sheet date as it is not possible to reliably estimate a provision (if any) in respect of this matter.

On 14 December 2015, the Company received a letter of claim from a law firm ("Claimant Firm") acting for 342 claimants commencing an action against the Company under the Financial Services and Markets Act 2000 ("Letter of Claim"). Despite the Company's endeavours in correspondence with the Claimant Firm, the Company is yet not in a position to verify the assertions in the Letter of Claim which, inter alia, details the expected value of the potential claims against the Company to be approximately £9.4 million. However, having taken external advice, no liability has been recognised at the balance sheet date as it is not possible to reliably estimate a provision (if any) in respect of this matter.

Other

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

51. Financial instruments and financial risk management

(a) Financial instruments

The Company's financial instruments comprise:

1. Available for sale assets of £nil (2014: £1,621,000)
2. Loans and receivables comprising: trade and other receivables including amounts due from subsidiary undertakings £29,761,000 (2014: £110,900,000)
3. Monies held in Escrow of £55,049,000 (2014: nil)
4. PSD deferred, contingent consideration of £nil (2014: £nil)
5. Cash and cash equivalents of £97,639,000 (2014: £29,740,000)
6. Other liabilities comprising: trade and other payables including amounts owed to Group undertakings of £58,363,000 (2014: £54,577,000) and other loans of £nil (2014: £2,000,000).

The carrying value and fair values are approximately the same. The fair values of assets and liabilities and fair value hierarchy is as described in note 33.

(b) Financial risk management

The Company manages its exposure to capital, liquidity and credit risk as set out in note 33.

The following are the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1-5 years	Over 5 years
	£000	£000	£000	£000	£000
2015					
Other loans	**–**	**–**	**–**	**–**	**–**
Trade and other payables	**1,692**	**(1,692)**	**(1,692)**	**–**	**–**
Amounts owed to Group undertakings	**56,671**	**(56,671)**	**(56,671)**	**–**	**–**
	58,363	**(58,363)**	**(58,363)**	**–**	**–**
2014					
Other loans	2,000	(2,000)	(2,000)	–	–
Trade and other payables	2,498	(2,498)	(2,498)	–	–
Amounts owed to Group undertakings	52,079	(52,079)	(52,079)	–	–
	56,577	(56,577)	(56,577)	–	–

Included within trade and other payables is an amount of CDN$520,000 (2014: CDN$21,000); all other financial instruments are denominated in pounds sterling.

Trade and other receivables of £nil (2014: £2,424,000) was current at the balance sheet date and does not include any impairment for bad debt.

52. Called up share capital

	Number	Nominal value fully paid	Nominal value unpaid	Nominal value total
2015	**£000**	**£000**	**£000**	**£000**
At 1 January – issued shares of 15 pence	**436,447**	**65,298**	**169**	**65,467**
Issued shares of 15 pence fully paid	**17,871**	**2,681**	**–**	**2,681**
Effect of Reduction of Capital	**–**	**(63,447)**	**(158)**	**(63,605)**
Issued shares of 1 pence fully paid	**3,909**	**39**	**–**	**39**
Effect of share consolidation	**(412,405)**	**–**	**–**	**–**
Issued shares of 10 pence	**141**	**14**	**–**	**14**
At the end of the year	**45,963**	**4,585**	**11**	**4,596**

	Number	Nominal value fully paid	Nominal value unpaid	Nominal value total
2014	£000	£000	£000	£000
At 1 January – issued shares of 1 pence	5,669,978	56,700	–	56,700
Issued shares of 1 pence fully paid	500,097	5,001	–	5,001
Issued shares of 1 pence unpaid	16,899	–	169	169
Effect of share consolidation	(5,774,509)	–	–	–
Issued shares of 15 pence	23,982	3,597	–	3,597
At the end of the year	436,447	65,298	169	65,467

Notes to the Financial Statements (continued)

On 16 December 2015, the High Court of Justice in England and Wales made an order approving the reduction of the Company's share capital under the Companies Act 2006, which had been approved by shareholders at a General Meeting held on 26 November 2015. The Reduction of Capital became effective on 18 December 2015 and the nominal value of the Company's shares reduced to 1 pence at that time, which had the effect of reducing the nominal value of issued share capital by £63,605,000. On 21 December 2015, the ordinary shares of the Company were consolidated. The share consolidation replaced every 10 existing ordinary shares of 1 pence each with 1 new ordinary share of 10 pence. The impact of the share consolidation was to reduce the number of allotted, called up, unpaid and fully paid shares was 412 million shares. There was no change in the total nominal value of the Company's issued share capital.

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

Included within the ordinary share capital, as at 31 December 2015, are nil shares of 10 pence (31 December 2014: 2,283,333 of 15 pence) with a carrying value of £nil (31 December 2014: £12,498,000) held by PT Healthcare Solutions Corp. Further details are provided in note 28.

The Company issued a number of share options, see note 28 for further details.

In 2014 and 2015, the company issued a number of shares options, see note 28 for further details.

The Company has one class of ordinary shares of 10 pence each which carry no right to fixed income.

53. Reserves

	2015	2014
	£000	£000
Share premium account	**127,251**	430,070
Merger reserve	**7,530**	189,100
Shares to be issued	**–**	30,744
Other equity reserve	**54**	54
Share-based payments reserve	**3,659**	20,713
Shares treated as held in treasury	**–**	(169)
Other reserves	**138,494**	670,512
Retained earnings	**(14,014)**	(206,579)

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

The merger reserve represents the fair value of the share consideration over and above the share's nominal value of 10 pence per share (15 pence per share prior to the share consolidation exercise in 2015) for those shares issued as consideration for acquisitions that take the Company's ownership of the acquired entity above 90%.

The shares to be issued reserve represents deferred consideration payable by the issue of the Company's shares in respect of acquisitions made by the Company.

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

In accordance with IAS 32.33, the Company treats its own shares, which are held by consolidated subsidiaries or where it has issued equity instruments where the underlying substance dictates that the economic benefit flows back to the Company, as if such shares were treasury shares and deducts them at cost from equity by including them within the shares treated as held in treasury reserve. On sale, the reserve is credited at carrying value on a first in first out basis, with any resulting gain or loss being shown directly in retained earnings.

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

Further details relating to reserves are included in the Company Statement of Changes in Equity on page 116.

At the Statement of Financial Position date, the Company had negative distributable reserves of £15,509,000, as a result of unrealised profit amounts totalling £1,495,000 in retained earnings.

54. Income statement of the Company

The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 to not disclose the Income Statement of the Company. The profit after taxation of the Company for the year ended 31 December 2015 was £229,000 (2014: loss of £231,736,000).

55. Cash flow from operating activities

	2015	2014
	£000	£000
Profit/(loss) after tax	**229**	(231,736)
Tax	**(782)**	482
Finance expense	**201**	66
Finance income	**(2,603)**	(3,299)
Operating loss	**(2,955)**	(234,487)
Adjustments for:		
Exceptional costs	**5,547**	2,108
Share-based payments	**2,320**	22,380
Depreciation of property, plant and equipment	**127**	125
Amortisation of intangible assets	**337**	838
(Profit)/loss on disposal	**(218,327)**	–
Impairment of investments	**86,020**	143,957
Impairment of intercompany	**92,253**	–
Impairment of intangible assets	**72**	1,543
Operating cash flows before movements in working capital and provisions	**(34,606)**	(63,536)
Decrease in trade and other receivables	**303**	56
(Decrease)/increase in trade and other payables	**(17,828)**	29,099
Cash generated from operations before exceptional costs	**(52,131)**	(34,381)

Reconciliation of net cash flow to movement in net funds:

	1 January	Cash flow movements	31 December
	£000	£000	£000
2015			
Cash	**29,740**	**67,899**	**97,639**
Cash and cash equivalents	**29,740**	**67,899**	**97,639**
Other secured loans < 1 year	**(2,000)**	**2,000**	**–**
Net funds	**27,740**	**69,899**	**97,639**
2014			
Cash	119,908	(90,168)	29,740
Cash and cash equivalents	119,908	(90,168)	29,740
Other secured loans < 1 year	(2,000)	–	(2,000)
Net funds	117,908	(90,168)	27,740

Notes to the Financial Statements (continued)

56. Discontinued operations and disposals

Disposal of businesses

Nationwide Accident Repair Services Plc ("NARS")

The Company disposed of its remaining interests in NARS in 4 March 2015. No gain or loss occurred in the year on the disposal of NARS.

360 GlobalNet and related investments ("360")

The interests that the Company held in 360 were sold in January 2015 and May 2015. There was no gain or loss occurred in the period on this investment.

Professional Services Division ("PSD")

On 29 May 2015, the Group disposed of the PSD (i.e. its interests in its legal, claims management and health service businesses) to S&G for a total consideration of £645m with a profit on disposal of £217m.

The assets and liabilities of the entities classified as held for sale were:

	2015	2014
	£000	£000
Investments in subsidiaries	–	217,495
Amounts due from subsidiary undertakings	–	153,716
Assets classified as held for sale	–	**371,211**
Amounts due to subsidiary undertakings	–	(21,653)
Liabilities classified as held for sale	–	**(21,653)**
Net assets classified as held for sale	–	**349,558**

Quintica

By the balance sheet date, the Company was in negotiations to sell its interests in Quintica (a reseller and integrator of software to the telecoms industries) and, after the year end, on 4 March 2016, it disposed of the entire issued share capital of Quintica to Quintica to QIH for approximately £1.35 million (the "Quintica Agreement"). In addition, the Company will be entitled to additional consideration in the event that Quintica is disposed of (in whole or part) by QIH in the year following completion of the transaction.

Under the Quintica Agreement, the Company received £1 million in cash (£0.5 million paid immediately and £0.5 million due by 1 January 2017), plus the repayment of intra-company debt of US$0.5 million (approximately £0.35 million).

The net assets of Quintica classified as held for sale at 31 December 2015 were nil. There is expected to be no gain or loss on the disposal of Quintica.

Further details on discontinued operations and disposals are included in note 37.

57. Deferred tax

	2015	2014
	£000	£000
Deferred tax liabilities	**28**	9
Deferred tax assets	**–**	–
	28	9

Deferred tax balances for Statement of Financial Position purposes are analysed as follows:

	2015	2014
	£000	£000
Deferred tax liability falling due within one year	–	–
Deferred tax liability falling due after one year	28	9
	28	9

58. Ultimate controlling party

There are no shareholders with overall control of the Company as at 31 December 2015 or 31 December 2014.

59. Contingent liabilities

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

60. Related party transactions

The Directors had no material transactions with the Company during the year, other than disclosed in the Directors' Remuneration Report on pages 21 to 24 or as described in note 39. The Directors are considered to be the key management personnel of the Company.

During the year, the Company entered into transactions, in the ordinary course of business, with other related parties as follows:

	2015	2014
	£000	£000
Subsidiary undertakings:		
Purchases	–	–
Sales	–	–

At 31 December the outstanding balances with subsidiaries are as follows:

	2015	2014
	£000	£000
Amounts due from subsidiary undertakings	29,761	108,476
Amounts due to subsidiary undertakings	(56,671)	(52,079)

61. Post balance sheet events

Since 31 December 2015 there have been a number of post balance sheet events, which are discussed in note 40.

62. Dividends

During the year, the Company paid dividends of £nil (2014: 1.5 pence per ordinary share of 15 pence), totalling £nil (2014: £6,180,000).

Notes to the Financial Statements (continued)

63. Parent company Financial Statements for the year ended 31 December 2014 included as comparatives in these Financial Statements

As disclosed in note 42, the Group identified certain accounting errors which were adjusted for as prior period restatements in preparing the consolidated Financial Statements for the year ended 31 December 2014. Certain errors relating to PYA B, PYA C and PYA D (shown within note 42) also directly impacted the Company's own Financial Statements for the year ended 31 December 2014.

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

A description of the revisions to accounting policies and prior year adjustments as a result of the matters noted above is set out below. The explanation is copied verbatim from note 42 in the 2014 Financial Statements, except that the tables setting out the quantitative changes to 2013 and 2012 Financial Statements have been omitted as they are not relevant to these Financial Statements. As such, reference to "notes" are to those that comprised the 2014 Financial Statements which have not been replicated in the 2015 Financial Statements.

Disclosures in respect of related party transactions included in the 2014 Financial Statements

The disclosures in respect of related party transactions which were set out in note 60 to the 2014 Financial Statements are copied verbatim below, except that the cross reference to the 2014 Directors' Remuneration Report has been omitted as it is not relevant to these Financial Statements.

Verbatim extracts from the 2014 Financial Statements (Reference to "notes" or defined terms in these extracts are to those included within the 2014 Financial Statements which may not be replicated in the 2015 Financial Statements)

Accounting Error

As disclosed in note 3, the Group identified certain accounting errors which have been adjusted for as a prior period restatement in the Consolidated Financial Statements. Certain errors relating to PYA B, PYA C and PYA D (shown within note 3) also directly impact the Company's own Financial Statements and these have been restated accordingly. A further adjustment to the prior year figures has been made in respect of the capitalisation of part of an intercompany loan position with a subsidiary within the discontinued business. This has had the effect of increasing cost of investments and reducing amounts due from subsidiary undertakings by £4.9m.

During the year, the Company entered into transactions, in the ordinary course of business, with other related parties as follows:

During the year, the Company entered into transactions, in the ordinary course of business, with other related parties as follows:

	2014	2013
	£000	£000
Subsidiary undertakings:		
Purchases	**–**	–
Sales	**–**	1,500

At 31 December the outstanding balances with subsidiaries are as follows:

	2014	2013
	£000	£000
Amounts due from subsidiary undertakings	**108,476**	156,450
Amounts due to subsidiary undertakings	**(52,079)**	(17,683)

In addition to the balances shown above are balances included within assets and liabilities classified as held for sale representing amounts due to and from the entities of the PSD.

Officers and Professional Advisers

Directors

Mr R Rose (Chairman)
Mr D Currie
Rt. Hon. Lord M Howard
Mr A Illsley
Mr D Young
Mr I Mukerjee
Mr M P Williams

Company Secretary

Mr S Borson

Registered Office

1 Barnes Wallis Road
Segensworth East
Fareham
Hampshire
PO15 5UA
Company Registration No. 05542221

Bankers

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

Broker and Nominated Adviser

Peel Hunt LLP
Moor House
120 London Wall
London
EC2Y 5ET

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Solicitors

Dorsey & Whitney LLP
199 Bishopsgate
London
EC2M 3UT

Herbert Smith Freehills LLP
Exchange House
Primrose Street
London
EC2A 2EG

Registrars

Capita Asset Services
The Registry, 34 Beckenham Road
Beckenham
Kent
BR3 4TU

Watchstone.

1 Barnes Wallis Road
Segensworth East
Fareham
Hampshire
PO15 5UA
watchstonegroup.com