

12 October 2015

Dear Mr Winnifrith

**Annual report and accounts of Quindell Plc**

I am writing to you about the letter you sent to the FRC on 1 September 2014 in which you asked us to investigate the 2011 annual accounts and 2014 interim report of Quindell PLC. Your main concerns appeared to be about the company's relationships with TMC (Southern) Limited ('TMC'), although you also questioned the accounting for the acquisition of Utility Supply Services and the gain recognised in the six months to 30 June 2014 on the revaluation of the investment in Himex.

We have dealt with your complaint and closed our enquiry into the company's 2011 and 2012 accounts following a number of substantive corrections and clarifications made by the company. In the following paragraphs we provide further detail about our process, explain the actions we took to address your concerns and refer to the publicity given to the company's response to our challenge.

You will now be aware that, when you wrote to us, we had been in correspondence with the company since March 2014 about a range of matters reported in its 2012 report and accounts. We considered very carefully each of the new issues you raised and extended our enquiry to include the 2011 annual report, introducing new questions about the areas that were of concern to you.

The first matter that had attracted your attention was the accounting adopted for the purchase of Utility Supply Services. The amount involved was £150,000. In view of the complexity and highly material nature of the revenue issues we had raised with the company, and our need to focus on significant matters, we did not raise this specific issue with the company. Our enquiry did, however, raise a generic question about the company's use of shell companies.

You also raised a number of questions about TMC Southern Ltd, including the nature of its relationship with Quindell and the basis on which it appeared to have been able to recognise profit from the sale of shares issued to it by the company.

Finally, you raised a question about the company's reporting of Himex in its 2014 interim report. Although, we did not raise the issue with the company as part of our enquiry, the accounting for this complex acquisition was subject to heightened attention during the December 2014 audit and, in our view, was appropriately reported in the annual accounts.

As a result of our investigation, the company has changed its accounting policies and restated comparative information in its 2014 annual report and accounts providing detailed explanations to support the changes. As part of this restatement, the company revised its accounting treatment of certain transactions it entered into with TMC Southern Ltd and provided the relevant related party disclosures you had sought. These corrections reduced

its reported 2011 revenue and profit by £3.5 million and reduced net assets at 31 December 2012 and 2013 by £2 million. The company's reconsideration of its accounting for the Himex transaction led to a £22.6 million impairment charge.

You will have seen the PN we published about our work (<https://www.frc.org.uk/News-and-Events/FRC-Press/Press/2015/July/Quindell-Plc.aspx>). You will note that, unusually, we closed our enquiry into the company's reports and accounts on the basis that the directors will keep us informed about any further material errors or omissions that arise from its historical transactions and which it will correct as necessary.

You will also note that we have now opened a disciplinary investigation in respect of the 2011-2013 annual reports and accounts and the 2014 interim report. Further information about this aspect of our work can be found on the FRC's web-site.

On behalf of the FRC's Conduct Committee, I would like to thank you for writing to us and drawing these matters to our attention. Although we pro-actively select company reports and accounts for review, we greatly value well informed complaints about corporate reporting matters.

Yours sincerely



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