Company number 05941335

BRIGHTSIDE GROUP PLC

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

BRIGHTSIDE GROUP PLC

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2007

COMPANY INFORMATION

Company Registration Number:	5941335
Registered Office:	7th Floor Phoenix House 18 King William Street London EC4N 7HE
Directors:	A F A Banks P S Chase-Gardener J W Gannon K R Young H C Molyneux C Warbey (R Jones resigned 04/01/2008) (P White resigned 20/03/2008)
Secretary:	Capita Company Secretaries Ltd
Bankers:	National Westminster Bank Oxford High Street 121 High Street Oxford OX1 4DD Clydesdale Bank Plc 2 Bishops Wharf Walnut Tree Close Guildford Surrey GU1 4UP Royal Bank of Scotland 3rd Floor 3 Temple Bank East PO Box 2703 Bristol BS1 9BX
Brokers and Nominated Advisors:	Landsbanki Beaufort House 15 St Botolph Street London EC3A 7QV
Solicitors:	New Law LLP Ross House Scott Harbour Cardiff Bay Cardiff CF10 4PJ
Auditor:	Baker Tilly UK Audit LLP Registered Auditor & Chartered Accountants Hartwell House 55 - 61 Victoria Street Bristol BS1 6AD

BRIGHTSIDE GROUP PLC

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BRIGHTSIDE GROUP PLC

CHAIRMAN'S AND CHIEF EXECUTIVE'S REVIEW

For the year ended 31 December 2007

It has been a disappointing year of trading for the Brightside Group in 2007 We have had to face a changing market place within all our key business divisions due to the impact of the global economic changes that are affecting the UK debt market

The direct marketing strategy which was so successful in the debt solutions sector in 2006 proved ineffective in 2007 The resulting inability to achieve critical mass in the corporate and personal insolvency market has forced us to review our business strategy In addition the current problems in the banking sector have had a direct impact on the appetite for mortgage lending in the UK

The current strategy

We looked at our model and identified that we were performing well in the areas of outbound lead generation, in particular creating leads that we could not directly use in the Brightside Group We noted that a good deal of these could be used within Group Direct, a Group that has some common shareholders It made perfect sense for us to look to an enlarged Group incorporating both the lead generation of Brightside, together with the insurance operations of Group Direct We took the bold decision to try to combine the two Groups to achieve this commercial synergy In June 08 this aim will hopefully be achieved with the reverse takeover of Group Direct into Brightside Group plc

This strategy will represent a total change of direction for the Group As part of the review of our future strategy it was no longer felt appropriate for us to remain in the insolvency business We therefore took the painful decision to sell the insolvency business This was successfully achieved during March 08 with the sale of PB Recovery Limited to Synergi Partners Limited

We have also reviewed the expectations of the Mortgage division, pairing this back to a much smaller part of the Group activties whilst the market continues to be fiercely competitive to operate in We continue to market and provide debt counselling and debt management plans.

This will ensure that the main vision of the Group will therefore continue around the themes as noted

- Amended marketing strategy to concentrate on purchase of data to allow our highly motivated and successful outbound unit to generate suitable leads to use internally
- New focus to sell leads externally where these have been generated and cannot be used within the Group and to continue to develop relationships with our customers and suppliers to obtain suitable data and sell excess leads wherever possible
- The Group will continue however to operate within the strict framework of controls and internal regulation to ensure that only best advice is given for debt solutions We are committed to giving clients the most appropriate solution to their individual needs and circumstances

Through the continued hard work and dedication of both the staff and directors in the Group, we have navigated through changes and will change our business model to identify an exciting way forward for the Group

Outlook

We are now looking to 2008 for our realigned business model to provide a strong positive result for the year and we are keen to make this vision happen With careful cost monitoring, system improvements and development of both financial solutions and insurance divisions we are confident that 2008 will indeed prove more fruitful than 2007 Group Direct has a growing profit record and the directors believe that the combined opportunities indicate an altogether better future

To date in 2008 our results for the Brightside Group are in line with our forecasts and we remain confident that 2008 will be a successful year for the enlarged Group

Paul Chase-Gardener ACA – Chairman

Paul Chase-Gardener succeeded Kenneth Young as Chairman of the Brightside Group in April 2007 In March 2008 Paul also became acting finance director when Paul White left the Group

In addition to being one of the founders of the Brightside Group, Paul is Chairman of Group Direct, a diversified holding company whose interests include insurance broking, underwriting and financial services Paul was formerly Managing Director of Solar Group Limited and of Bladon Group Plc He trained at Price Waterhouse

John William Gannon – Chief Executive

John William Gannon originally qualified as a solicitor and barrister in his native Australia, where he practised before coming to the UK in 1993 After moving to the UK, John completed the necessary qualifications to enable him to practice English law Prior to jointly founding Brightside Group in February 2005, John has been involved in a number of other business start-ups, including Group Direct, and New Law, a Cardiff based law firm in 2004

Paul White – Finance Director

Paul White is a Chartered Accountant and joined the Group in March 2007 After qualifying with Ernst & Young, he has had 20 years experience in a variety of finance roles, ranging from start up companies to large corporates Prior to joining the Group, he had spent five years at Orange Personal Communications Limited as Head of Financial Accounting, responsible for financial reporting and control for the whole of the UK operations Paul stepped down as finance director in March 2008

Christopher John Warbey – Operations Director

Christopher joined Brightside Group in 2005 In November 2006 Christopher was promoted to Operations Director Within this role he is primarily responsible for business development, the debt counselling centre, debt management unit, and mortgage unit operated by the Group Prior to joining the Group, Christopher spent five and a half years with Enterprise Rent a Car where he was responsible for developing and managing operations in the South West of England

Arron Fraser Andrew Banks – Non Executive Director

Arron Fraser Banks originally co-founded the Brightside Group with John Gannon and Paul Chase-Gardener in February 2005 Prior to incorporating the Brightside Group, Arron had previous experience of business start ups, having established Commercial Vehicle Direct, a Bristol based insurance broker in 2001 Arron is also a Non-Executive Director of Conister Trust Plc, an AIM listed financial services institution based in the Isle of Man

Helen Clare Molyneux – Non Executive Director

Helen Molyneux qualified as a solicitor in 1990, subsequently becoming a partner at Eversheds In 2004, Helen set up New Lew, a Cardiff based law firm specialising in providing claims management services to insurers and brokers

Richard Jones – Non Executive Director

Richard Jones joined the Brightside Group in August 2006 as a commercial director Before joining the Brightside Group, Richard primarily worked within the pharmaceutical sector working for companies such as GlaxoSmithKline and Pfizer Richard stood down as commercial director in April 2007, but remained on the board as a non executive Director Richard has now retired by rotation as a non executive director during January 2008

Kenneth Robert Young – Non Executive Director

Kenneth Young remains on the board of the Brightside Group as a non executive director, having previously had the role of Group Chairman until he was succeeded by Paul Chase-Gardener in April 2007

Kenneth was previously Senior Partner of Pridie Brewster, a firm of accountants with four offices located around the Home Counties Kenneth joined the firm as a trainee in 1978 and has subsequently attained over 25 years of experience specialising in providing innovative and effective solutions to larger clients in respect of business development, acquisitions and exit strategies

Kenneth is also the non executive chairman of Gowi Group Plc He is a past chairman of the board of a children's charity, the Textile Industry Trust and is shortly to become chairman of the governors of the Royal Russell Independent School

REPORT OF THE DIRECTORS

The directors present their report together with the financial statements of Brightside Group plc for the year ended 31 December 2007

Principal Activity

The principal activity of the Group in the year under review was to provide finance rehabilitation solutions to the UK consumer credit market This included lead generation to service all the different segments of the business shown in note 12

The Group offers its clients a range of financial rehabilitation solutions, including free advice through its free-to-phone debt counselling centre, home visits to assist with the completion of debt information packs, mortgage and loan broking, debt management and formal insolvency services

Business Review and future developments

The directors recognise that the year has been a difficult trading year for the Brightside Group From a review of the market that the Brightside Group segments were operating it became obvious that the market strategy for the Group needed to shift to reflect the changing market circumstances to ensure that Brightside could trade profitably

Lead Generation, Help lines and Debt Management

This division continued with variations of the strategy of lead generation from direct marketing together with attempts to build affinity partnerships for most of 2007 However towards the end of the year, trials were completed on purchases of data information from external sources which proved more profitable in turning these successful leads into debt management plans It was also noted that the lead generation team was highly effective in generating leads for other sources as well as the debt management team and this has been developed into a profitable income source, by identifying customers outside of the Group who can benefit from a particular type of lead and then selling a transfer on this basis

The debt management unit has also continued to produce an improved return on the managed plans in place Further internal improvements to the processes are currently being introduced to increase the efficiencies and effectiveness of this unit

This division has returned a loss during 2007, however the efficiencies that have now been identified together with system processing improvements means that we are confident that this division will return a profit in 2008 As noted in our previous financial statements, it also takes time for the marketing spend to return income in the form of converted leads to debt management plans

Key performance indicators of the business include conversion transfer rates, transfers per agent and income per plan, these have been closely monitored throughout the year

Mortgage Division

The mortgage market has been particularly difficult as the structure of the market has been changed The credit crunch biting in the UK has meant that mortgage deals are harder to close and the commission receivable from these has fallen with sub prime mortgages in the UK becoming far less profitable This division did manage to trade in the second part of the year above expectations and made a small loss in the year

The prime KPI of lead conversion has been tightened, with further staff training provided in this division to try and ensure that the budget expectations are met However it remains a difficult market to trade in as the credit crunch in the UK continues to bite This division is not expected to return a high level of profit in 2008 Work is continuing on managing the cost base of this division to ensure that if any losses are incurred these are kept to a minimum

Financial Services Authority (FSA) calculations are completed throughout the year and reviewed by management to ensure that the business has sufficient liquidity for the mortgages and loans company as required No issues have been noted throughout the year under review

Insolvency Division

The insolvency business division has been sold since the end of the year Further detail on this is given in the post balance sheet events paragraph below

Results and Dividends

The consolidated financial statements have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRS) for the first time as detailed in note 2 1 to the financial statements

There was a loss for the year after taxation amounting to £5,312,000 (2006 loss of £3,937,000) The directors cannot recommend the payment of a dividend (2006 £nil)

Post Balance Sheet Events

Insolvency Division- Discontinued Activities

As noted in the chairman's and chief executive's review a decision was made not to continue in this market sector, due to the shift in the market in this area It was therefore decided on 19 February 2008, to enter into a sale and purchase agreement with Synergi Partners Limited and its parent company Debts co uk plc to sell the personal and corporate formal insolvency businesses division which traded as PB Recovery Limited The Disposal was approved at a general meeting of Brightside Group plc held on 7 March 2008 and the agreement completed on 18 March 2008

The trade from this division has been noted as discontinued activities in the financial statements

Reverse takeover of Aust Holdings Limited

During June 08 a reverse takeover transaction is due to be completed between Aust Holdings Limited (the ultimate parent company of Group Direct Limited) and Brightside Group plc The two Groups are related by common shareholders to both Groups This will provide a really exciting opportunity for both groups to move forward and to expand A number of commercial reasons for the transaction can be noted as

- Commercial synergy of expanding lead generation market already established within the Brightside Group which can be used to generate sensible conversion levels from the outbound activity for the insurance operations
- Increased access to capital markets, in addition to the funds that will be raised in the reverse acquisition the Group can raise further funds when required to develop its business and fund potential future acquisitions
- The strong profit history and growth prospects of the acquired companies combined with the disposal and closure of loss making operations will provide a much stronger basis to take the enlarged Group forward
- Strengthening of the extended Group's balance sheet due to the valuation of the substantial policy books of the insurance division within Aust Holdings Limited, which will be shown in the combined balance sheet

Going Concern

The directors confirm that they are satisfied that the Group has adequate resources and facilities to continue in business for the foreseeable future For this reason, they continue to adopt the going concern basis in preparing the financial statements This is detailed in note 4 2 to the financial statements

Directors

The present membership of the board is set out below All served on the board throughout the year

The interests of the directors and their families in the shares of the company as at 1 January 2007 and 31 December 2007 were as follows -

Ordinary shares of £0 01 each		
	31 December 2007	**1 January 2007**
Paul Chase-Gardener	4,646,440	4,646,440
John Gannon	4,663,728	4,663,728
Arron Banks	4,359,660	4,359,660
Ken Young	2,029,200	2,029,200
Helen Molyneux	855,000	855,000
Chris Warbey	-	-
Paul White (resigned 20 March 2008)	-	-
Richard Jones (retirement by rotation 4 January 2008)	-	-

Paul Chase-Gardener, John Gannon and Arron Banks also have a beneficial interest in the shares of Brightside Group Plc, by virtue of the shareholding of Group Direct Limited in Brightside Group Plc of 2,013,240 (01/01/2007, 2,013,240) £0 01 shares, and also of Rock Holdings of 20,000 (01/01/2007 20,000) £0 01 shares Common shareholdings exist in these companies for the above named directors

Financial Risk Management Objectives & Policies

The company uses financial instruments such as cash, leases, loans, debts and creditors in order to raise finance for the Group's operations The existence of these instruments exposes the company to financial risks which are detailed in note 3 to the financial statements Details of the financial instruments used are disclosed in note 18 to the financial statements

Locked in Shareholders

An aggregate of 18,567,268 Ordinary shares is subject to a form of orderly market restriction in respect of the 12 month period to 9 January 2009 This will require notification to the nominated advisors prior to any sale in this period

Corporate Governance

The board recognises the value of good corporate governance and has set out its Corporate Governance statement on pages 9 to 10

Employees

Brightside is committed to providing employment practices and policies which recognise the diversity of our workforce and ensure equality for employees regardless of sex, race, disability, age, sexual orientation or religious belief

Employees are kept closely involved in major changes affecting them through such measures as team meetings, briefings and internal communications There are well established procedures to ensure that the views of employees are taken into account in reaching decisions, and ongoing training is provided when required

Payables Payment Policy

The Group aims to pay all its creditors promptly For trade payables it is the Group policy to

a) Agree the terms of the payment at the start of the business with that supplier

b) Ensure that suppliers are aware of the terms of payment

c) Pay in accordance with contractual and other obligations

The trade payables' balance at 31 December 2007 represented 14 days (2006 112 days) of purchase during the year for the Group

There are no trade payables in the company

Substantial Shareholdings

As at the date of signing this report, the board is aware of the following substantial interests in the issued share capital of the company, other than those of directors of the company

Group Direct Limited	9 7%

Health and Safety

The Group has defined procedures to ensure compliance with Health and Safety Regulations In addition, there is regular communication with employees on safety matters

Environment

The Group is committed to the protection of the environment and aims to minimise the impact of its business activities by ensuring effective environmental management and compliance with all relevant information Management will review environmental considerations as part of decision making processes and will strive to improve performance by minimising waste and maximising recycling wherever possible Management will communicate with interested parties on environmental issues, and provide training where appropriate

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

UK Company law requires the directors to prepare Group and company Financial Statements for each financial year Under that law the directors are required to prepare Group financial statements in accordance with, and have elected to prepare the company financial statements in accordance with, International Financial Reporting Standards ("IFRS") as adopted by the EU

The Group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the group, the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation

The company financial statements are required by law to give a true and fair view of the state of affairs of the company

Statement of Directors' Responsibilities (continued)

In preparing each of the Group and company financial statements, the directors are required to

a) select suitable accounting policies and then apply them consistently,

b) make judgements and estimates that are reasonable and prudent,

c) state whether they have been prepared in accordance with IFRSs adopted by the EU,

d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985 They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of 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 United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

So far as the directors are aware -

- There is no relevant audit information of which the company's auditor is unaware and,
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

The previous auditor PKF (UK) LLP resigned on 07 December 2007 and Baker Tilly UK Audit LLP were subsequently appointed

Baker Tilly UK Audit LLP, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985

ON BEHALF OF THE BOARD

P S Chase-Gardener
Director

Date 02/06/08

CORPORATE GOVERNANCE

As an AIM listed company, the Group is not required to comply with the Combined Code on corporate governance However, the board of directors are committed where practicable to developing and applying high standards of corporate governance appropriate to the Group's size

This statement sets out measures taken by the board to apply the principles of the Code to the year ended 31 December 2007 and to the date of the directors' report

Board of Directors

The board is currently comprised of

Paul Chase-Gardener	Chairman and Finance Director
John William Gannon	Chief Executive
Christopher Warbey	Operations Director
Arron Fraser Banks	Non-Executive Director
Helen Clare Molyneux	Non-Executive Director
Kenneth Young	Non-Executive Director

All directors are able to take training and/or independent professional advice in the furtherance of their duties if necessary All directors also have access, at the company's expense, to experienced legal advice through the company's legal advisors and other independent professional advisors as required

The board currently meets on a monthly basis, with additional special meetings as required

The board is responsible for the overseeing of all day to day matters of the Group, but it has particular responsible for reviewing trading performance, resources (including key appointments), standards of conduct, ensuring adequate funding, setting and monitoring strategy and reporting to shareholders

To enable the board to discharge its duties, all directors receive appropriate information from the management of the Group However, all directors are free to make further enquiries where they feel it necessary and to take independent advice as required

The Group has two board committees, which operate within defined terms of reference

Audit Committee

The audit committee is comprised of the following directors -

Paul Chase-Gardener
Helen Molyneux

The audit committee is responsible for reviewing the interim and final results It is also responsible for making recommendations to the board on the appointment of external auditors, for reviewing the accounting principles, policies and practices adopted in the preparation of the interim and annual financial statements and for reviewing the scope and findings of the audit In addition, the audit committee monitors the framework of internal control

The committee keeps under review the external auditors' independence, including any non-audit services that are to be provided by the external auditors

Remuneration Committee

The remuneration committee is comprised of the following directors -

Paul Chase-Gardener
Helen Molyneux

The remuneration committee is responsible for making recommendations to the board on the company's policy on remuneration and benefits of the executive directors and senior executives of the Group Further information is set out in the report of directors' remuneration on pages 11 to 12

Internal Financial Control

The directors are responsible for the Group's system of internal financial control Although no system can provide absolute assurance against material misstatement or loss, the Group's system is designed to provide the directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately Key procedures that have been established and are designed to provide effective internal financial control are described below -

- Cash reconciliation on a regular basis
- Management review of spending through budgets review and detailed ordering
- Review of performance on a monthly basis through accounts and discussions, and
- Appraisal of staff to KPIs on a regular basis with the emphasis on training and development to provide key results for the business

Budgets & Reporting

Each year the board approves the annual budget, which includes an assessment of key risk areas Performance is monitored and relevant action taken throughout the year through regular reporting to the board of variances from the budget and preparation of updated forecasts for the year, together with information on the key risk areas Underpinning these budgets is a system of internal financial control, based on authorisation procedures and tiers of authority

Management Structure

The board has overall responsibility for the Group and focuses on the overall Group strategy and the interests of shareholders There is a schedule of matters specifically reserved for decisions by the board The board has an organisational structure with clearly defined responsibilities and lines of accountability and each executive director has been given responsibility for specific aspects of the Group's affairs

Quality & Integrity of Personnel

The integrity and competence of personnel are ensured through high recruitment standards and subsequent training courses High quality personnel are seen as an essential part of the control environment

BRIGHTSIDE GROUP PLC

REPORT OF DIRECTORS' REMUNERATION

In common with the board's commitment to compliance with the combined code, the company has supported the principles of good governance relating to directors' remuneration The company discloses certain information relating to directors' remuneration in this report, which is not audited

Remuneration Policy

The Group's policy on remuneration is to attract, retain and incentivise the directors and staff in a manner consistent with the goals of good corporate governance In setting the company's remuneration policy, a number of factors are considered, including basic salary, incentives and benefits available to executive directors and senior managers and staff of comparable companies Consistent with this policy the Group's remuneration packages are intended to be competitive, compromise a significant proportion of performance related remuneration and align employees with shareholders' interests

Annual remuneration of directors

For the year ended 31 December 2007, the directors who held office during the year received the following remuneration -

Director	**2007 Salary/Fees £**	**2007 Benefits £**	**2007 Bonus £**	**2007 Pension £**	**2007 Total £**
Kenneth Young	16,667	-	-	-	16,667
Richard Jones (resigned 4 January 2008)	26,276	1,667	-	-	27,943
Christopher Warbey	50,000	4,800	-	-	54,800
Paul White (resigned 20 March 2008)	67,678	6,688	-	-	74,366

For the year ended 31 December 2006, the directors who held office during the year received the following remuneration -

Director	**2006 Salary/Fees £**	**2006 Benefits £**	**2006 Bonus £**	**2006 Pension £**	**2006 Total £**
Kenneth Young	111,442	-	-	-	111,442
Richard Jones (resigned 4 January 2008)	10,810	-	-	-	10,810
Christopher Warbey	30,783	-	-	-	30,783

The remaining directors did not receive any remuneration from Brightside Group Plc

Directors' interests in the share capital of the company

The interests of the directors who held office as at 31 December 2007 were -

Director	**No of Shares Held**
Kenneth Young	2,029,200
John Gannon	4,663,728
Richard Jones (resigned 4 January 2008)	-
Christopher Warbey	-
Paul White (resigned 20 March 2008)	-
Arron Banks	4,359,660
Paul Chase-Gardener	4,646,440
Helen Molyneux	855,000

Details of share options granted to directors

Options granted to directors who held office at 31 December 2007 are -

Director	Grant Date	No. of share options granted	Option price (pence)	Date first exercisable	Expiry Date
Richard Jones (resigned 4 January 2008)	05/01/2007	143,478	69	04/01/2009	04/01/2017
Christopher Warbey	05/01/2007	165,217	69	04/01/2009	04/01/2017

Incentive Scheme

From January 2007, following the Group flotation on AIM, the company introduced a policy of granting share options to selected key employees The exercise of these options is subject to the achievement of performance targets

Currently, the company has no other formal incentive plans in place The board considers the performance of staff in conjunction with the performance of the Group during the annual salary review process

Service Contracts

Each of the executive directors has entered into a service agreement with the company The service agreements are terminable on not less than 3 months notice by either party to the others at any time The service agreements contain provisions for early termination, into alia, in the event of a breach by the director in question

The services of the non executive directors are provided for under terms of letters of appointment between them and the Group dated 8 December 2006 and are terminable on not less than 3 months notice by either party to the others at any time

Paul Chase-Gardener
Chairman of the Remuneration Committee

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRIGHTSIDE GROUP PLC

We have audited the Group and parent company financial statements on pages 15 to 45

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union ("EU") are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements The other information comprises only the Chairman's and Chief Executive's Review, the statement on Officers, the Directors' Report, the statement on Corporate Governance, and the Report of Directors' Remuneration. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any other information

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 1985, of the state of the Group's affairs as at 31 December 2007 and of its loss for the year then ended,
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2007,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRIGHTSIDE GROUP PLC

Emphasis of matter – going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosure made in note 4 2(a) to the financial statements concerning the Group's ability to continue as a going concern The Group incurred a loss of £5,312,000 for the year ended 31 December 2007 and at that date the Group had net liabilities of £9,258,000 These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern The financial statements have been prepared on a going concern basis, the validity of which depends upon continued financial support being made available by a related group and also an improvement in the trading performance of the business The financial statements do not include any adjustments if the Group was unable to continue as a going concern

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP
Registered Auditor
Chartered Accountants
Hartwell House
55-61 Victoria Street
Bristol BS1 6AD

Dated 2 June 2008

BRIGHTSIDE GROUP PLC

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	NOTES	**Year ended 31/12/07 £'000**	**Year ended 31/12/06 £'000**
Revenue		950	451
Administrative expenses		(5,034)	(3,241)
Operating loss		(4,084)	(2,790)
Finance income	8	7	2
Finance costs	8	(7)	(19)
Finance costs (net)		-	(17)
Loss before income tax		(4,084)	(2,807)
Income tax expense	9	-	-
Loss for the year from continuing operations		(4,084)	(2,807)
Discontinued operations			
Loss for the year from discontinued operations	11	(1,228)	(1,130)
Loss for the year		(5,312)	(3,937)
Attributable to:			
Equity holders of the company		(5,312)	(3,937)
Earnings per share for loss from continuing operations attributable to the equity holders of the company during the year			
Basic	10	(19 8p)	(14 0p)
Diluted	10	(19 8p)	(14 0p)
Earnings per share for loss from discontinued operations attributable to the equity holders of the company during the year			
Basic	10	(5 9p)	(5 6p)
Diluted	10	(5 9p)	(5 6p)

The notes on pages 21 to 45 are an integral part of these consolidated and company financial statements

The company has elected to take exemption under section 230 of the Companies Act 1985 to not present the parent company income statement

The loss for the parent company for the year was £nil (2006 £201,000)

There were no recognised income and expenses other than the loss for the financial year

BRIGHTSIDE GROUP PLC

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2007

	NOTES	2007 £'000	2006 £'000
ASSETS			
Non-current assets			
Intangible assets	13	-	-
Property, plant and equipment	14	166	248
		166	248
Current assets			
Trade and other receivables	16	98	2,699
Cash and cash equivalents	17	366	334
		464	3,033
Non-current assets held for sale	11	1,540	-
TOTAL ASSETS		2,170	3,281
LIABILITIES			
Non-current liabilities			
Borrowings	18	249	185
		249	185
Current liabilities			
Trade and other payables	19	206	1,257
Borrowings	18	10,740	6,245
		10,946	7,502
Liabilities directly associated with assets held for sale	11	233	-
TOTAL LIABILITIES		11,428	7,687
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share Capital	21	207	201
Share Premium	22	454	-
Merger Reserve		(200)	(200)
Retained Earnings		(9,719)	(4,407)
Total equity		(9,258)	(4,406)
TOTAL EQUITY AND LIABILITIES		2,170	3,281

The notes on pages 21 to 45 are an integral part of these consolidated and company financial statements

The financial statements were approved by the board of directors on 02 June 2008 and were authorised for issue on its behalf by

PS Chase-Gardener - Director

BRIGHTSIDE GROUP PLC

COMPANY BALANCE SHEET AT 31 DECEMBER 2007

	NOTES	2007 £'000	2006 £'000
ASSETS			
Non-current assets			
Investment in subsidiary	15	-	-
		-	-
Current assets			
Trade and other receivables	16	460	-
		460	-
TOTAL ASSETS		460	-
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share Capital	21	207	201
Share Premium	22	454	-
Retained Earnings		(201)	(201)
TOTAL EQUITY		460	-

The notes on pages 21 to 45 are an integral part of these consolidated and company financial statements

The financial statements were approved by the board of directors on 02 June 2008 and were authorised for issue on its behalf by

PS Chase-Gardener - Director

BRIGHTSIDE GROUP PLC

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2007

Group	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Merger Reserve £'000	**Total** £'000
At 1 January 2006	201	-	(470)	(200)	(469)
Loss for the year	-	-	(3,937)	-	(3,937)
At 31 December 2006	201	-	(4,407)	(200)	(4,406)
Loss for the year	-	-	(5,312)	-	(5,312)
Ordinary shares issued	6	454	-	-	460
At 31 December 2007	207	454	(9,719)	(200)	(9,258)

Company	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	**Total** £'000
At 1 January 2006	201	-	-	201
Profit/(Loss) for the year	-	-	(201)	(201)
At 31 December 2006	201	-	(201)	-
Profit/(Loss) for the year	-	-	-	-
Ordinary shares issued	6	454	-	460
At 31 December 2007	207	454	(201)	460

BRIGHTSIDE GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	NOTES	Year ended 31/12/07 £'000	Year ended 31/12/06 £'000
Cash flows from operating activities			
Cash utilised in operations	23	(4,743)	(4,442)
Interest received		7	2
Net cash used in operating activities		(4,736)	(4,440)
Cash flows from investing activities			
Purchases of property, plant and equipment		(139)	(288)
Proceeds on disposal of property, plant and equipment		8	-
Net cash used in investing activities		(131)	(288)
Cashflows from financing activities			
Proceeds from issuance of ordinary shares		460	-
Proceeds of new borrowings		-	107
Repayment of borrowings		(44)	-
Interest paid		(7)	(19)
Loans received from connected parties		4,569	4,789
Net cash generated from financing activities		4,978	4,877
Net increase in cash, cash equivalents and bank overdrafts		111	149
Cash, cash equivalents and bank overdrafts at the beginning of year		334	185
Cash, cash equivalents and bank overdrafts at the end of year	17	445	334

The notes on pages 21 to 45 are an integral part of these consolidated and company financial statements

BRIGHTSIDE GROUP PLC

COMPANY CASH FLOW STATEMENT

For the year ended 31 December 2006

	NOTES	Year ended 31/12/07 £'000	Year ended 31/12/06 £'000
Cash flows from operating activities			
Cash generated from operations	23	-	-
Net cash generated from operating activities		-	-
Cash flows from investing activities			
Loans granted to subsidiaries		(460)	
Net cash used in investing activities		(460)	-
Cashflows from financing activities			
Proceeds from issues of ordinary shares		460	-
Net cash used in financing activities		460	-
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		-	-
Cash, cash equivalents and bank overdrafts at the beginning of year		-	-
Cash, cash equivalents and bank overdrafts at the end of year		-	-

The notes on pages 21 to 45 are an integral part of these consolidated financial statements

1 GENERAL INFORMATION

The pnncipal activity of Bnghtside Group Plc ('the company') and its subsidianes (together 'the Group') is to provide a range of financial rehabilitation solutions to the UK Consumer Credit Market

The Group offers its clients a range of financial rehabilitation solutions, including free advice through its free-to-phone debt counselling centre, home visitors to assist with the completion of debt information packs, mortgage and loan broking, debt management and formal insolvency services It also identifies and sells leads internally and externally for contacts to customers

The company is a limited liability company incorporated and domiciled in the United Kingdom The address of its registered office is 18 King William Street, London EC4N 7HE

The Group consolidated financial statements were authonsed for issue by the board of directors on 02 June 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The pnncipal accounting policies applied in the preparation of these consolidated and company financial statements are set out below These policies have been consistently applied to all the years presented unless otherwise stated

2 1 Basis of preparation

The consolidated and company financial statements of Bnghtside Group Plc have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRS), IFRIC interpretations and the Companies Act 1985 applicable to companies reporting under IFRS for the first time

The Group has applied IFRS 1 'First time adoption of International Financial Reporting Standards', in preparing these consolidated financial statements The Group's transition date is 1 January 2006 and an opening IFRS balance sheet has been prepared at this date

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting penods beginning on 1 January 2007

The transition from UK GAAP to IFRS has resulted in solely presentational differences There is no impact on reported profit, net assets, cashflows or equity in either 2006 or 2007

The consolidated financial statements have been prepared under the historical cost convention

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates It also requires management to exercise its judgement in the process of applying the Group's accounting policies The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4

Going concern

Dunng the year, the Group incurred a loss of £5,312,000 and ended the year with net liabilities of £9,258,000 As a result of the Group's financial position, the directors have considered the basis of preparation of the financial statements on the going concern basis This detail is given in note 4 2(a) to the accounts

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The accounting policies and methods of computation adopted in these statements differ from those previously disclosed in the consolidated financial statements for the year ended 31 December 2006 Such consolidated financial statements for the year then ended conformed with the applicable UK accounting standards and were prepared under the historical cost convention, as required by the Companies Act 1985 With the exception of the treatment of goodwill, the current accounting policies used are consistent with those used in previous accounting periods Goodwill is no longer amortised but is tested annually for impairment and carried at cost less accumulated impairment losses The impairment value has been determined at the same value as the amortisation charge and therefore the differences are purely presentational

The accounts have been presented in sterling as all the transactions are denominated in sterling and it is the functional currency of the Group as all of the businesses are located in the United Kingdom

(a)Standards, amendments and interpretations effective in 2007

•IFRS 7, 'Financial instruments Disclosures' and the complementary amendment to IAS1, 'Presentation of financial statements – Capital disclosures' IFRS 7 introduces new disclosures relating to financial instruments The standard does not have any impact on the classification and valuation of the Group's financial instruments

(b)Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 March 2007 or later periods but which the Group has not early adopted

•IFRS 2 (Amendment) Share-based payment – amendment relating to vesting conditions and cancellations (effective from annual periods beginning on or after 1 January 2009) The Group will apply this amendment from 1 January 2009 but it is not expected to have any impact on the Group's accounts
•IFRS 3(Amendment), Business Combinations – comprehensive revision on applying the acquisition method (effective from annual periods beginning on or after 1 July 2009) and consequential amendments to IAS 27, 28, and 31 The Group will apply this amendment from 1 January 2010 but it is not expected to have any impact on the Group's accounts
•IAS 1 (Amendment), Presentation of Financial Statements – comprehensive revision including requiring a statement of comprehensive income (effective from annual periods beginning on or after 1 January 2009)
•IAS 23 (Amendment), Borrowing Costs – comprehensive revision to prohibit immediate expensing (effective from annual periods beginning on or after 1 January 2009) The Group will apply this amendment from 1 January 2009 but it is not expected to have any impact on the Group's accounts
•IFRIC 11, IFRS 2, Group and Treasury Share Transactions (effective from annual periods beginning on or after 1 March 2007) IFRIC 11 provides guidance on applying IFRS 2 in three circumstances
-Share-based payments involving an entity's own equity instruments in which the entity chooses or is required to buy its own equity instruments (treasury shares) to settle the share-based payment obligation should always be accounted for as equity-settled share-based transactions under IFRS 2
-If a parent grants rights to its equity instruments to employees of its subsidiary and assuming the transaction is accounted for as equity-settled in the consolidated financial statements, the subsidiary must measure the services received using the requirements for equity-settled transactions in IFRS 2, and must recognise a corresponding increase in equity as a contribution from the parent
-If a subsidiary grants rights to equity instruments of its parent to its employees, the subsidiary accounts for the transaction as a cash-based payment transaction
The Group will apply IFRIC 11 from 1 January 2008, but it is not expected to have any impact on the Group's accounts
•IFRIC 13, Customer Loyalty Programmes (effective from annual periods beginning on or after 1 July 2008) The Group will apply IFRIC 13 from 1 January 2009 but it is not expected to have any impact on the Group's accounts
•IFRS 8, Operating Segments (effective from annual periods beginning on or after 1 January 2009) The Group will apply IFRS 8 from 1 January 2009 but it is not expected to have any impact on the Group's accounts other than a potential change in the required disclosures

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c)Standards, amendments and interpretations to existing standards that are not yet effective and are not relevant for the Group's operations

The following amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 March 2007 or later periods but are not relevant for the Group's operations

•IAS 1 (Amendment), Presentation of Financial Statements –amendments relating to disclosure of puttable instruments and obligations arising on liquidation (effective from annual periods beginning on or after 1 January 2009) and related amendment to IAS 32 relating to puttable instruments and obligations arising on obligation
•IFRIC 12, Service Concession Arrangements (effective from annual periods beginning on or after 1 January 2008) Service concession arrangements are those arrangements whereby a government or other body grants contracts for the supply of public services such as roads, energy distribution, prisons or hospitals to private operators The objective of this IFRIC is to clarify how certain aspects of existing IASB literature are to be applied to service concession arrangements This statement is not applicable to the business of the Group
•IFRIC 14, IAS 19, The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective from annual periods beginning on or after 1 January 2008) The Group does not operate a defined benefit scheme and therefore this interpretation is not applicable to the Group's operations

2.2 Consolidation

The Group financial statements consolidate the financial statements of the company and its subsidiary undertakings made up to 31 December 2007 and its shares of the results and post-acquisition reserves of subsidiary undertakings

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill When the company's shares are issued in respect of an acquisition, the share premium is computed on the basis of the market value of the shares at the date of acquisition

The reversal of an existing trading group into a shell company, such as Brightside Group Plc's acquisition of Brightside Holdings Ltd, does not fall within the scope of IFRS 3 Business Combinations since the acquirer is not a business per the definition used in that Standard IFRS contain specific guidance to be followed where a transaction falls outside the scope of IFRS This guidance is included at paragraphs 10 to 12 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors The directors may consider recent pronouncements of other standard setting bodies that use a similar framework to develop accounting standards The directors considered and followed Financial Reporting Standard 6 'Acquisitions and Mergers' issued by the United Kingdom Accounting Standards Board (ASB) which deals with those business combinations that are not, in substance, the acquisition of one entity by another

The acquisition of Brightside Holdings Limited by Brightside Group Plc has therefore been accounted for using merger accounting as UK Financial Reporting Standard 6 'Acquisitions and Mergers' required that in situations where the shareholders rights remain unchanged as a result of Group reconstruction, and at least 90% of the consideration is satisfied in equity, merger accounting should be applied As a result, the reorganisation resulting from the acquisition of Brightside Holdings Limited has continued to be accounted for using the application of merger accounting The results for the group are reported as if the group has been in existence in its current form throughout the current and previous financial years No purchased goodwill is created as a result of the transaction and the assets and liabilities of Brightside Holdings Limited and its subsidiaries are not adjusted to reflect market value The difference between the cost of investment in Brightside Holdings Limited and the share capital of Brightside Holdings Limited has been treated as a merger reserve

This has been restated from the interim accounts, as these were wholly prepared on a merger accounting basis The reversal of Brightside Holdings into Brightside Group Plc should have been the only part of the consolidation included as a merger The other purchase of subsidiaries have been correctly stated using acquisition accounting

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Property, plant and equipment

Property, plant and equipment are stated at historical cost, net of depreciation

Depreciation is calculated using the straight-line method to write off the cost of the assets less their estimated residual values over their estimated useful lives The rates generally applicable are

Fixtures and Fittings	20% on cost
Computer equipment	33% on cost

2.4 Intangible assets

(a)Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition Goodwill on acquisitions of subsidiaries is included in 'intangible assets' Goodwill on acquisition of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses

No re-statement of intangible assets has been required on transition to IFRS as there were none that met the separate recognition criteria under IAS 38

2.5 Investment in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less impairment As permitted by section 133 of the Companies Act 1985, where the relief afforded under section 131 of the Companies Act 1985 applies, cost is the aggregate of the nominal value of the relevant number of the company's share capital of the subsidiary undertakings

2.6 Impairment of non-financial assets

The entity assesses at each reporting date whether an asset may be impaired If any such indicator exists the entity tests for impairment by estimating the recoverable amount If the recoverable amount is less than the carrying amount of an asset an impairment loss is required In addition to this, assets with indefinite lives and goodwill are tested for impairment at least annually

Recoverable amount is the higher of fair values less costs to sell and value in use In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time vale of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease

2.7 Financial assets

The Group classifies its financial assets in the following category loans and receivables Management determines the classification of its financial assets at initial recognition

(a)Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on the active market They are included in current assets, except for maturities greater than 12 months after the balance sheet date These are classified as non-current assets Loans and receivables are classified as 'trade and other receivables' in the balance sheet

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables

2.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts Bank overdrafts are shown within borrowings in current liabilities on the balance sheet

2.10 Share capital

The ordinary shares are classified as equity in the balance sheet and are recorded at the proceeds received net of direct issue costs The company has no other forms of share capital at the present time

2.11 Trade payables

Trade payables are not interest bearing and are initially recognised at fair value and subsequently at amortised cost using the effective interest method

2.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred Borrowings are subsequently stated at amortised cost

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date

Borrowing costs are recognised in the income statement in the period in which they are incurred

The nature of the Group's activity is such that there is often a long lead time between initial marketing spend and the generation of income, and significant working capital is required The directors have gained an undertaking from Group Direct Limited, a related undertaking, to provide funding levels required, as indicated by the directors of Brightside Group Plc based on profitability and cash forecasts

2.13 Taxation

The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference will be utilised

Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Employee benefits

In October 2007 the defined contribution pension scheme operated by the Group ceased to exist
At 31 December 2007, the company only provides a non-contributory employer stakeholder pension scheme

2.15 Revenue recognition

Revenue comprises income recognised by the Group in respect of services supplied, exclusive of value added tax

Where work is performed over a period of time, revenue also includes the values of work executed on contracts, excluding VAT Attributable profit is included within the income statement when contracts have reached a stage where anticipated profitability can be reasonably determined Full provision is made for all known or expected losses immediately such losses are forecast

Accrued revenue representing un-invoiced revenue is included within "prepayments and accrued income" and is recognised as the service time is recorded It is recorded at selling price where a contractual right to consideration for the work performed exists Provision is made for any time recorded which is not considered fully recoverable

2.16 Segment reporting

A business segment is a Group of assets and operations that provide a product or service and that is subject to risks and returns that are different from other business segments A geographic segment is a Group of assets and operations that provide a product or service within a particular economic environment and that is subject to risks and returns that are different from segments operating in different economic environments

2.17 Leases

Assets held under finance leases or hire purchase contracts are recognised as assets of the Group They are capitalised in the balance sheet at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease and depreciated over their estimated useful lives or the lease term, whichever is shorter

The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation Lease payments are apportioned between finance charges and the reduction of lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease

2.18 Share Based Payments

Options over 937,681 ordinary shares were granted on 5th January 2007 During the year 230,435 options lapsed (2006 nil) Options over 707,246 ordinary shares were in existence at 31 December 2007 (2006 nil) 671,014 of these options have lapsed since the end of the year

The directors believe that there is no requirement in the accounts for the year ended 31 December 2007 to recognise any expense relating to the options granted as required by IFRS2 This belief is based on the current and forecast results for the business for 2008 in relation to the non-market based KPIs set for the employees entitled to share options, where it is expected that no options will become exerciseable The fair value and exercise price of these share options have not been disclosed as is required by IFRS 2, as it is not expected that any of these options will be exercised and therefore the information is not material to the financial statements The company does apply all the other principles of IFRS2

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Holiday Pay Accrual

As required by IAS19, an assessment of the accrual for holiday pay has been made No adjustment has been made to the accounts in respect of this due to the materiality of the resulting accrual

2.20 Non current assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use

3 FINANCIAL RISK MANAGEMENT

The Group's operating activities take place entirely in the United Kingdom and are denominated in sterling The operating transactions are not considered complex The Group does not enter into any foreign exchange risk contracts

The Group has a risk management function which manages and continually monitors the financial risks relating to the Group's operations The Group's senior management meets regularly to review and, if appropriate, approve the implementation of optimal strategies for effective management of financial risk

The process includes documentation of policies, including limits, controls and reporting structures

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet its foreseeable needs and to invest cash assets safely and profitably This is managed by continually monitoring forecast and actual cashflows Liquidity is measured on a monthly basis in the operations with reference to the FSA prescribed calculation to ensure maximum coverage where applicable in the mortgage operation The Group as a whole monitors cash flow using sophisticated forecasting techniques to ensure that all liabilities will be met when due An agreed secured funding balance within Group Direct Limited of £4 6m has been utilised in the year as part of the ongoing liquidity requirements, giving a year-end balance of £10 9m (2006 £6 3m)

Interest rate risk

The Group is exposed to interest rate risk if the Group utilises the overdraft facility which represents borrowing at fluctuating (bank borrowings) interest rates The Group monitors its banking facilities and compliance with related covenants as required Group monies are also monitored to ensure that the minimum interest charges are paid with regard to the overdraft charges ensuring that money is used to offset overdrafts before being deposited at lower interest rates No interest has been charged from Group Direct Limited as prescribed in the loan agreement

Interest rate sensitivity

The only liability subject to interest rate sensitivity is the bank overdraft as interest paid on other loans is at a fixed rate No interest has been incurred in the year on the bank overdraft (2006 £1,000) and therefore for 2007 the Group's loss for the year would have been unaffected by changes in interest rates If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2006 would have decreased/increased by £166

The Group policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on results

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss

3 FINANCIAL RISK MANAGEMENT (continued)

The pnncipal credit nsk for the Group anses from its trade receivables in the lead generation operation In order to manage credit nsk the directors have incorporated a range of credit control procedures to monitor debt levels across the Group and to ensure that any debts are collected as soon as reasonable following policy cancellations Stnct credit control key performance indicators are reported to ensure that debts do not exceed the prescnbed penod Credit searches are also performed on clients above a certain value to minimise the nsk in this area

Financial liabilities

Financial liabilities include related party loans, bank overdrafts and other loans See note 18 for the maturity profiles applicable to these The related party loan bears no interest and the other loan interest is paid at a fixed interest rate The weighted average interest rate paid on the bank overdrafts dunng the year ended 31 December 2007 was nil% (2006 6 65%)

Financial assets

The Group holds no fixed rate financial assets (2006 nil)

Floating rate assets compnse sterling cash balances

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Critical accounting estimates and assumptions

(a) Impairment of goodwill

The Group test annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2 4 These calculations require the use of estimates and assumptions by the directors

4.2 Critical judgements in applying the entity's accounting policies

(a) Going concern

Dunng the year, the Group incurred a loss of £5,312,000 and ended the year with net liabilities of £9,258,000 As a result of the Group's financial position, the directors have considered the basis of preparation of the financial statements on the going concern basis The board has been reconsidenng its strategy and has made a number of decisions to re-focus the activities of the Group, of which this company is a part, dunng the year and following the year-end have streamlined the underlying cost base of the business The directors have prepared detailed forecasts which set out the ongoing cash requirements of the business gong forwards Additionally, the directors have received notification of the continuing support from Group Direct Limited, a related undertaking, to provide, for at least one year from the date of approval of these financial statements, funding levels required as indicated by the forecasts prepared by the directors of Brightside Group Plc In addition Group Direct Limited has continued to provide additional funding in the penod up to the date of approving these financial statements There are inherent uncertainties in the preparation of such forecasts which are not fully under the Groups control However, the directors believe the assumptions used in those forecasts are reasonable and that they have taken into account all factors that may reasonably be expected to be identified in relation to such forecasts On this basis, the commitment of Group Direct Limited to provide such funding has enabled the directors to conclude that it is appropriate to prepare the financial statements on the going concern basis and the financial statements do not include any adjustments that would result from the Group not being able to meet its liabilities as they fall due

(b) Revenue recognition

The Group's policy for the recognition of revenue where work is performed over a penod of time is disclosed in note 2 15 The judgement made by management in applying this policy has a significant effect on the amount to be recognised as accrued income at the year-end (see note 16)

5. EXPENSES BY NATURE FROM CONTINUING OPERATIONS

Loss from continuing operations has been arrived at after charging/(crediting)

	Year ended 31/12/2007 £'000	Year ended 31/12/2006 £'000
Depreciation		
- owned assets	67	51
Rentals under operating leases		
Land and buildings	-	-
Other	35	11
Employee benefit expense (see note 7)	1,820	691
Auditors' remuneration (see note 6)	40	51
Impairment losses (see note 13)	-	712
Loss on disposal of fixed assets	5	-
Marketing costs	2,073	773
Computer operating costs	122	95
Professional fees in connection with AIM	-	635
Other expenses	872	222
Total administration expenses	5,034	3,241

6. AUDITOR REMUNERATION

During the year the Group obtained the following services from the Group's auditor at costs detailed below

	Year-ended 31/12/2007 £'000	Year ended 31/12/2006 £'000
Audit services		
Fees payable to company auditor for the audit of parent company and consolidated accounts		
-Prior year auditors	-	7
-Current year auditors	15	-
Fees payable to company auditor for the audit of the subsidiary accounts		
-Prior year auditors	-	25
-Current year auditors	23	-
Non-audit services		
Fees payable to the company's auditor and its associates for other services		
Prior year auditors		
-Tax services	-	8
-Other services	3	18
	41	58

Included within auditor fees for parent, consolidated and subsidiary accounts is £1,000 (2006 £7,000) relating to discontinued operations

Fees for 2007 were receivable by Baker Tilly UK Audit LLP and its related entities The fees for 2006 were receivable by PKF (UK) LLP and its related entities

7. EMPLOYEE BENEFIT EXPENSE

	Year ended 31/12/2007 £'000	Year ended 31/12/2006 £'000
Wages and salaries	3,003	2,005
Social security costs	268	201
Other pension costs	1	2
	3,272	2,208

Included within wages and salaries is £1,328,000 (2006 £1,379,000) relating to discontinued operations
Included within social security costs is £124,000 (2006 £138,000) relating to discontinued operations

The average number of employees of the Group during the year was

	Year ended 31/12/2007 Number	Year ended 31/12/2006 Number
Directors (excluding non-paid directors)	2	1
Sales and administration	101	82
	103	83

Employee benefit expenses are charged to administrative expenses in the income statement

8. FINANCE INCOME AND COSTS

	Year ended 31/12/2007 £'000	Year ended 31/12/2006 £'000
Interest expense		
- Bank overdraft	-	(1)
- Other interest	(7)	(18)
Finance costs	(7)	(19)
Interest income		
- Other income	7	2
Finance income	7	2
Net finance costs	-	(17)

9. INCOME TAX EXPENSE

	Year ended 31/12/2007 £'000	Year ended 31/12/2006 £'000
Current tax	-	-
Deferred tax (note 20)	-	-
	-	-

9. INCOME TAX EXPENSE (continued)

Taxation differs from the standard rate of corporation tax in the UK (30%) as applied to the losses as explained below

	Year ended 31/12/2007 £'000	Year ended 31/12/2006 £'000
Loss before taxation	(5,312)	(3,937)
Loss multiplied by the standard rate of taxation in the UK of 30%	(1,594)	(1,181)
Effects of		
Expenses not allowable	74	-
Tax losses carried forward	1,471	1,199
Temporary differences	49	(18)
Current tax charge for the year	-	-

Losses of approximately £8,603,000 (2006 £4,475,000) are available within the Group to carry forward against future profits arising from the same trades

10. EARNINGS PER SHARE

The calculation of earnings per share is based upon a loss of £5,312,336 (31 December 2006 – loss of £3,936,787) and is based upon a weighted average number of shares in issue during 2007 of 20,658,233 (2006 20,132,400)

There are no dilutive effects on the earnings per share calculations as the current share price is below the equity price in accordance with IAS33 Paragraph 47

11. DISCONTINUED OPERATIONS

On 18 March 2008 the Group disposed of the trade of PB Recovery Limited No profit or loss was recognised on the sale but a write down in the carrying value of the assets was required as at 31 December 2007 in order to ensure that they were fairly valued resulting in a loss on the re-measurement of assets PB Recovery Limited's principal activity was that of insolvency practitioners which the directors felt was not core to the Group and represented a major line of business which no longer met with the Group strategy

The total consideration received for the sale was £1 086m

a) Analysis of the result of discontinued operations is as follows

	Year ended 31/12/2007 £'000	Year ended 31/12/2006 £'000
Revenue	1,464	2,537
Administrative expenses	(2,262)	(3,667)
Loss before tax of discontinued operations	(798)	(1,130)
Pre tax loss recognised on the remeasurement of assets of discontinued operation	(430)	-
Tax	-	-
Loss after tax of discontinued operations	(1,228)	(1,130)

11. DISCONTINUED OPERATIONS (continued)

b) Non-current assets of discontinued operations

	2007 £'000	2006 £'000
Property, plant and equipment	89	-
Trade and other receivables	1,338	
Cash and cash equivalents	233	-
	1,540	-

c)Liabilities directly associated with assets of discontinued operations

	2007 £'000	2006 £'000
Trade and other payables	233	-
	233	-

d) Cash flows of the discontinued operations included within the consolidated cash flow statement are as follows

	Year ended 31/12/2007 £'000	Year ended 31/12/2006 £'000
Operating cash flows	61	46
Total cash flows	61	46

12. SEGMENT INFORMATION

The Group is organised into four main segments differentiated by service lines Insolvency Services, Mortgages and Loans broking, Helplines contact centre and debt management, and Head Office and operations The segments are the basis on which the Group reports its primary segment information

Inter-segment revenue is priced using arms length commercial terms

The segment results for the year ended 31 December 2007 are as follows

	Insolvency Services (Discontinued) £'000	Mortgages and Loans £'000	Helplines and Debt Management £'000	Head Office £'000	Group £'000
Total segment revenue	1,034	332	951	-	2,317
Inter-segment revenue	-	-	(333)	-	(333)
Revenue	**1,034**	**332**	**618**	-	**1,984**
Operating loss	(1,228)	(128)	(3,962)	6	(5,312)
Finance income	-	6	1	-	7
Finance costs	-	-	(1)	(6)	(7)
Finance costs – net	-	6	-	(6)	-
Loss before income tax	**(1,228)**	**(122)**	**(3,962)**	-	**(5,312)**
Income tax	-	-	-	-	-
Loss for the year	**(1,228)**	**(122)**	**(3,962)**	-	**(5,312)**

12 SEGMENT INFORMATION (continued)

The segment results for the year ended 31 December 2006 are as follows

	Insolvency Services (Discontinued) £'000	Mortgages and Loans £'000	Helplines and Debt Management £'000	Head Office £'000	Group £'000
Total segment revenue	2,537	216	629	-	3,382
Inter-segment revenue		-	(394)	-	(394)
Revenue	**2,537**	**216**	**235**	-	**2,988**
Operating loss	(1,130)	(104)	(1,992)	(694)	(3,920)
Finance income	-	1	1	-	2
Finance costs	-	-	(1)	(18)	(19)
Finance costs – net	-	1	-	(18)	(17)
Loss before income tax	**(1,130)**	**(103)**	**(1,992)**	**(712)**	**(3,937)**
Income tax	-	-	-	-	-
Loss for the year	**(1,130)**	**(103)**	**(1,992)**	**(712)**	**(3,937)**

All revenues from external customers are attributable to the United Kingdom

Other segment items included in the income statement are as follows

Year ended 31 December 2007

	Insolvency Services (Discontinued) £'000	Mortgages and Loans £'000	Helplines and Debt Management £'000	Head Office £'000	Group £'000
Depreciation	54	12	41	14	121
Impairment of goodwill	-	-	-	-	-

Year ended 31 December 2006

	Insolvency Services (Dicontinued) £'000	Mortgages and Loans £'000	Helplines and Debt Management £'000	Head Office £'000	Group £'000
Depreciation	42	7	31	13	93
Impairment of goodwill	-	-	-	712	712

The segment assets and liabilities at 31 December 2007 are as follows

	Insolvency Services (Discontinued) £'000	Mortgages and Loans £'000	Helplines and Debt Management £'000	Head Office £'000	Group £'000
Assets	1,540	282	348	-	2,170
Liabilities	(233)	(244)	(10,951)	-	(11,428)
Capital expenditure	23	17	101	-	141

12 SEGMENT INFORMATION (continued)

The segment assets and liabilities at 31 December 2006 are as follows

	Insolvency Services (Discontinued) £'000	Mortgages and Loans £'000	Helplines and Debt Management £'000	Head Office £'000	Group £'000
Assets	2,655	185	441	-	3,281
Liabilities	(332)	(147)	(7,208)	-	(7,687)
Capital expenditure	118	21	149	-	288

13. INTANGIBLE ASSETS

	Group
	Goodwill £'000
COST	
At 1 January 2006	750
Additions	-
At 31 December 2006	**750**
Additions	-
At 31 December 2007	**750**
ACCUMULATED IMPAIRMENT LOSSES	
At 1 January 2006	38
Impairment charge	712
At 31 December 2006	**750**
Impairment charge	-
At 31 December 2007	**750**
Net book value	
At 1 January 2006	712
At 31 December 2006	-
At 31 December 2007	-

The impairment charge in 2006 was posted in order to reduce the carrying value to the estimated recoverable amount In view of the negative cash flows of the business it was concluded that the carrying value of the goodwill was fully impaired

14 PROPERTY, PLANT AND EQUIPMENT

Group

	Fixtures and fittings £'000	Computer Equipment £'000	Total £'000
COST			
At 1 January 2006	27	172	199
Additions	75	213	288
Disposals	(27)	(134)	(161)
At 31 December 2006	**75**	**251**	**326**
Additions	30	111	141
Disposals	(4)	(16)	(20)
At 31 December 2007	**101**	**346**	**447**
ACCUMMULATED DEPRECIATION			
At 1 January 2006	**5**	**6**	**11**
Depreciation charge for the year	10	83	93
Disposals	(3)	(23)	(26)
At 31 December 2006	**12**	**66**	**78**
Depreciation charge for the year	19	102	121
Disposals	-	(7)	(7)
At 31 December 2007	**31**	**161**	**192**
Net book value			
At 1 January 2006	22	166	188
At 31 December 2006	63	185	248
At 31 December 2007	**70**	**185**	**255**

Assets amounting to £89,000 relating to discontinued operations are included in the net book value at 31 December 2007

Depreciation was charged to administrative expenses in the income statement

15. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	Company £'000
COST	
At 1 January 2006	-
Additions	201
At 31 December 2006	**201**
Additions	-
At 31 December 2007	**201**
ACCUMULATED IMPAIRMENT LOSSES	
At 1 January 2006	-
Impairment charge	201
At 31 December 2006	**201**
Impairment charge	-
At 31 December 2007	**201**
Net book value	
At 1 January 2006	-
At 31 December 2006	-
At 31 December 2007	-

Investments in subsidiary undertakings are stated at cost less impairment As permitted by section 133 of the Companies Act 1985, where the relief afforded under section 131 of the Companies Act 1985 applies, cost is the aggregate of the nominal value of the relevant number of the company's share capital of the subsidiary undertakings

In view of the Group's results and negative cashflows the directors carried out an impairment review of the carrying value of the investments in 2006 and concluded that they were fully impaired

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Trade receivables	311	1,099	-	-
Less provision for impairment of trade receivables	(113)	(145)	-	-
Trade receivables – net	198	954	-	-
Receivables from Group undertakings (note 26)	-	-	460	-
Prepayments and accrued income	1,108	1,592	-	-
Other receivables	130	153	-	-
	1,436	2,699	460	-
Less non-current portion receivables from Group undertakings	-	-	-	-
Current portion	1,436	2,699	460	-

16. TRADE AND OTHER RECEIVABLES (continued)

Trade and other receivables amounting to £1,338,000 relating to discontinued operations are included in the Group figures as at 31 December 2007

The directors consider that the carrying value of trade and other receivables approximates to their fair value

There are no significant concentrations of credit risk

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above The Group does not hold any collateral as security

The impairment provision for trade receivables as of 31 December 2007 was £113,000 (2006 £145,000) The individually impaired receivables mainly relate to customers who are in difficult economic conditions or disputed transactions with customers which the directors consider to be in doubt

As of 31 December 2007, trade receivables of £71,000 (2006 £422,000) were past due but not impaired These relate to a number of individual customers for whom there is no history of default The ageing analysis of these trade receivables is as follows

	2007 £'000	2006 £'000
Up to 5 months	8	162
6 to 8 months	17	65
9 to 11 months	14	44
> 11 months	32	151
	71	422

The creation and release of provision for impaired receivables have been included in 'administrative expenses' in the income statement

Movements on the Group provision for impairment of trade receivables are as follows

	2007 £'000	2006 £'000
At 1 January	145	350
Provision for receivables impairment	35	-
Receivables written off during the year as uncollectable	(21)	-
Unused amounts reversed	(46)	(205)
At 31 December	**113**	**145**

The other classes within trade and other receivables do not contain impaired assets

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Cash at bank and on hand	479	334	-	-

17. CASH AND CASH EQUIVALENTS (continued)

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

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Cash and cash equivalents	479	334	-	-
Bank overdrafts	(34)	-	-	-
	445	334	-	-

Cash and cash equivalents amounting to £113,000 relating to discontinued operations are included in the Group figures as at 31 December 2007

18. BORROWINGS

	2007	2006
	£000	£'000
Group		
Current		
Bank overdrafts	34	-
Other loans	33	41
Amounts owed to related parties (note 26)	10,673	6,204
	10,740	6,245
Non-current		
Other loans	31	67
Amounts owed to related parties (note 26)	218	118
	249	185
Total borrowings	10,989	6,430

Bank overdrafts, borrowings and other loans

	Group	
	2007	2006
	£'000	£'000
Amounts falling due within one year or on demand		
Bank overdrafts	34	-
Other loans	33	41
Amounts falling due between one and two years		
Other loans	31	34
Amounts falling due between two and five years		
Other loans	-	33

The bank overdrafts are repayable on demand, unsecured and bear interest at a rate of 2% over base rate

Interest incurred on other loans is paid at a fixed rate of 14 2% and repayments are made quarterly

The other loans are secured against certain fixed assets owned by a subsidiary undertaking

No interest is paid on the loans from related parties and the funding is unsecured

The fair value of bank overdrafts and other loans equals their carrying amount, as the impact of discounting is not material

18. BORROWINGS (continued)

All borrowings are denominated in pounds sterling

The Group has undrawn borrowing facilities as at 31 December 2007 of £nil (2006 £nil)

Significant concentration arises in the loan received from Group Direct Limited, a related undertaking which amounts to £10 9m (2006 £6 3m) The directors have gained an undertaking from Group Direct Limited, to provide, for at least one year from the date of approval of these financial statements, funding levels required as indicated by the forecasts prepared by the directors of Brightside Group Plc as stated in note 4 2 to the financial statements

19. TRADE AND OTHER PAYABLES

	Group 2007 £'000	2006 £'000
Trade payables	54	489
Payables to related parties	55	61
Social security and other taxes	110	159
Accruals and deferred income	138	381
Other payables	82	167
	439	1,257

The carrying amount of trade and other payables approximates their fair value

Trade and other payables amounting to £233,000 relating to discontinued operations are included in the above figures as at 31 December 2007

20 DEFERRED INCOME TAX

At 31 December, the unrecognised deferred tax asset relates to the following

	2007 £'000	2006 £'000
Fixed asset timing differences	11	(35)
Carried forward losses	2,580	1,358
Other timing differences	14	1
Total	2,605	1,322

The asset has not been recognised as the recognition criteria of IAS 12 have not been met as the directors do not believe sufficient evidence currently exists that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised

21. SHARE CAPITAL

	2007 £'000	2006 £'000
Authorised		
60,397,200 ordinary shares of £0 01 each	604	604
Allotted, called up and fully paid		
20,680,000 (2006 20,132,400) ordinary shares of £0 01 each	207	201

Ordinary shares carry one vote per share and carry the right to receive dividends when declared They rank pari passu with each other in all respects including receipt of dividends and proceeds on the winding up of the company

22. SHARE PREMIUM

	2007 £'000	2006 £'000
At 1 January	-	-
Proceeds from new shares issued	454	-
At 31 December	454	-

On 9 January 2007, 87,000 ordinary shares of £0 01 each were issued at a premium of £0 68 per share
On 16 January 2007,120,600 ordinary shares of £0 01 each were issued at a premium of £0 82 per share
On 17 January 2007, 340,000 ordinary shares of £0 01 each were issues at a premium of £0 87 per share

23. CASH UTILISED IN OPERATIONS

Group	Year ended 31/12/2007 £'000	Year ended 31/12/2006 £'000
Loss before income tax	(5,312)	(3,937)
Adjustments for		
- Depreciation (note 14)	121	93
- Impairment charge (note 13)	-	712
- Loss on disposal of assets	4	-
- Finance costs – net (note 8)	-	17
Changes in working capital		
- Trade and other receivables	1,263	(1,449)
- Trade and other payables	(819)	122
Cash utilised in operations	(4,743)	(4,442)

Company	Year ended 31/12/2007 £'000	Year ended 31/12/2006 £'000
Loss before income tax	-	(201)
Adjustments for		
- Impairment charge (note 15)	-	201
Changes in working capital		
- Trade and other receivables	-	-
- Trade and other payables	-	-
Cash generated from operations	-	-

24. CONTINGENCIES

There ıs a claım agaınst PB Recovery Lımıted ın the sum of £124,915 60 ın respect of ıts management of the sale of Multıple Constructıon Lımıted, a company to whıch PB Recovery Lımıted was appoınted admınıstrator The claımant ıs Crawford Chartered Accountants, the lıquıdator of Multıple Constructıon Lımıted The claım relates to whether PB Recovery acted ın breach of duty and/or breach of trust and/or was guılty of mısfeasance ın dısposıng of and/or sellıng the assets of Multıple Constructıon Lımıted

Brıghtsıde Holdıngs Lımıted has ıssued proceedıngs agaınst Mark Donnan who was prevıously employed as managıng dırector of Brıghtsıde Holdıngs Lımıted Durıng hıs employment, Mr Donnan was offered 11 shares ın the Company on the basıs that Mr Donnan remaıned employed for 3 months Mr Donnan was ıssued wıth the 11 shares on completıon of the 3 month perıod These shares are now 125,400 Ordınary Shares ın the Company By an Order dated 22 May 2008, Mr Donnan was ordered to transfer to Brıghtsıde Holdıngs Lımıted or to ıts order, or to assıst wıth the cancellatıon of, the 125,400 Ordınary Shares ın the Company In addıtıon, Mr Donnan was ordered to pay the costs of the actıon

Kırsty Port was made redundant on 29 June 2007 from Brıghtsıde Personal Fınance Lımıted and submıtted a claım for unfaır dısmıssal on 29 September 2007 She has claımed that the procedures were unfaır and that she should not have been ıncluded ın the pool for redundancy as her role stıll exısted At a hearıng on 31 January 2008 Ms Port's claım was dısmıssed, however, the subsequent applıcatıon for costs by Brıghtsıde Personal Fınance Lımıted was also dısmıssed 21 4 Sandra Spence has brought an employment trıbunal claım agaınst PB Recovery Lımıted for constructıve dısmıssal, unlawful deductıon from wages and breach of contract A formal response was submıtted on 22 March 2008 and the case ıs scheduled to be heard after 3 Aprıl 2008

25. COMMITMENTS

(a) Capıtal commıtments

Group and company
There were no capıtal commıtments at 31 December 2007 or 31 December 2006

(b) Operatıng lease commıtments – Group company as lessee

Group
The future aggregate mınımum lease payments under non-cancellable operatıng leases are as follows

	2007		2006	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
In one year or less	-	16	-	16
Between one and five years	-	12	-	29
	-	28	-	45

26. RELATED PARTY TRANSACTIONS

Group
There is no ultimate controlling party

The following transactions were carried out with related parties

(a) Management recharges

	Year ended 31/12/2007 £'000	Year ended 31/12/2006 £'000
Costs from entities controlled by key management	527	119
	527	119

(b) Trading transactions

	Year ended 31/12/2007 £'000	Year ended 31/12/2006 £'000
Costs from entities controlled by key management	140	77
	140	77

(c) Directors

	Year ended 31/12/2007 £'000	Year ended 31/12/2006 £'000
Salaries and other short-term employee benefits	194	153
	194	153

Salaries and other short-term employee benefits paid to directors include social security costs

(d) Year-end balances arising from management recharges and trading transactions

	2007 £'000	2006 £'000
Payables to related parties (note 19)		
-Entities controlled by key management	55	61

(e) Loans from related parties

	2007 £'000	2006 £'000
Loans from entities controlled by key management		
Beginning of the year	6,322	1,667
Loans advanced during the year	4,569	4,655
Loan repayments received	-	-
Interest charged	-	-
Interest paid	-	-
End of year	10,891	6,322
Total loans from related parties		
Beginning of the year	6,322	1,667
Loans advanced during the year	4,569	4,655
Loan repayments received	-	-
Interest charged	-	-
Interest paid	-	-
End of year	10,891	6,322

26. RELATED PARTY TRANSACTIONS (continued)

Durıng the penod ended 31 December 2007, Bnghtsıde Group Plc contınued to receıve fundıng from Group Dırect Lımıted, a related company The amount owıng to Group Dırect Lımıted at 31 December 2007 was £10,891,000 (2006 £6,322,000)

Company

The followıng transactıons were carned out wıth related partıes

(a) Loans to related partıes

	2007 £'000	2006 £'000
Loans to other Group undertakıngs		
Begınnıng of the year	-	-
Loans advanced durıng the year	460	-
Loan repayments receıved	-	-
Interest charged	-	-
Interest paıd	-	-
End of year	460	-
Total loans to related partıes		
Begınnıng of the year	-	-
Loans advanced durıng the year	460	-
Loan repayments receıved	-	-
Interest charged	-	-
Interest paıd	-	-
End of year	460	-

All Group and company related party transactıons have been carned out on an arms length basıs

None of the related party balances are secured and wıll be settled ın cash

There are no provısıons agaınst any related party balances and no bad debt expense has been recognısed ın the penod

27 SUBSIDIARIES

Group

The Group's ınvestments at the balance sheet date ın the share capıtal of unlısted Group undertakıngs (all of whıch are regıstered ın England and Wales) ınclude the followıng

Subsıdiary undertakings	Class of shares	Proportıon held	Principal activity
Bnghtsıde Holdıngs Lımıted	Ordınary	100%	Intermedıate Holdıng Company
Bnghtsıde Mortgages Lımıted*	Ordınary	100%	Mortgage Intermedıanes
PB Recovery Lımıted*	Ordınary	100%	Insolvency Practıtıoners
Bnghtsıde Personal Fınance Ltd*	Ordınary	100%	Debt Management Servıces
Davıd & Co Consultants Lımıted*	Ordınary	100%	Debt Helplınes
Campbell & McDonald Lımıted*	Ordınary	100%	Dormant
Bnghtsıde Corporate Fınance Ltd*	Ordınary	100%	Dormant
Bnghtsıde Capıtal Lımıted*	Ordınary	100%	Dormant
Bnghtsıde Fınance Lımıted*	Ordınary	100%	Dormant

* Shares held vıa Bnghtsıde Holdıngs Lımıted

All of these subsıdıanes are fully consolıdated ın the Group accounts

27 SUBSIDIARIES (continued)

Company

The company's investment at the balance sheet date in the share capital of an unlisted group undertaking (which is registered in England and Wales) is as follows

Subsidiary undertaking	Class of shares	Proportion held	Principal activity
Brightside Holdings Limited	Ordinary	100%	Intermediate Holding Company

28 POST BALANCE SHEET EVENTS

Under a share purchase agreement dated 2 June 2008 and made between (1) the Company, (2) Arron Banks, Paul Chase-Gardener, John William Gannon, (the "Controlling Sellers") and (3) Geoffrey Derham, Rod Lloyd, Peter Strong, Martyn Holman, Kevin Davies Andrew Pearce, Hazel Sweeney, Christopher Fay and Simon Jones (the "Non-Controlling Sellers") it was agreed that the Company would purchase the entire issued share capital of Aust Holdings Limited The consideration shall be the allotment and issue of 168,750,000 Ordinary Shares in the Company

The share purchase agreement contains detailed warranties and indemnities given by the Controlling Sellers The Non-Controlling Sellers have given limited warranties in respect to capacity and ownership of the sale shares The agreement provides for certain financial limitations in respect of a breach of warranty claim The aggregate liability of the Controlling Sellers in respect of a breach of warranty claim is £26,437,500 The aggregate liability of the Non-Controlling Sellers in respect of a breach of warranty claim is £7,312,500
The Non-Controlling Sellers have provided limited warranties in respect to, capacity of the Sellers, ownership of the Shares, liabilities owing to or by the Sellers, and competing interests In addition to these, the Controlling Sellers have provided full warranties including, but not limited to, specific warranties in relation to litigation, the audited accounts, the management accounts, intellectual property, environmental matters, the conduct of the business and the Company's contracts, pensions and insolvency

The share sale agreement provides that the Controlling Sellers will execute a Tax Covenant The Tax Covenant indemnifies the Company against any non-provided for tax liabilities incurred prior to Completion or for any tax liability which would have arisen and for which the Sellers would have been liable to the Company but which does not materialise because the Company is able to benefit from some form of tax relief
Completion is conditional upon the passing of a resolution at a general meeting of the Company to approve the acquisition, to increase the authorised share capital so that it is at least sufficient to allot the consideration shares, the consent of the FSA to the change of control in the regulated subsidiaries of Aust Holdings (such consent having been obtained) and Admission

Under a share purchase agreement dated 2 June 2008 and made between (1) the Company and (2) Leslie Hughes and James Bowers, it was agreed that the Company would purchase the issued ordinary shares in the capital of Group Direct Limited owned by Leslie Hughes and James Bowers The consideration shall be the allotment and issue of 56,250,000 Ordinary Shares in the Company

Under the agreement, Leslie Hughes and James Bowers have given limited warranties in respect to capacity and ownership of the sale shares

Completion is conditional upon completion of the Aust Agreement and in the event that the completion of the Aust Agreement has not been satisfied on or before 8 August 2008 (or such later date as may be agreed between the parties), the agreement shall lapse and no party shall make any claim against any other in respect of the agreement

28 POST BALANCE SHEET EVENTS (continued)

Under a share purchase agreement dated 2 June 2008 and made between (1) the Company, (2) STM Fidecs Nominees Limited, Arron Banks and Paul Chase-Gardener (the "Sellers") and (3) Arron Banks, Paul Chase-Gardener, Helen Molyneux and John Gannon (the "Warrantors"), it was agreed that the Company would purchase the entire issued share capital of Injury QED The consideration shall be the allotment and issue of 25,000,000 Ordinary Shares in the Company The shares held by STM Fidecs Nominees Limited are beneficially owned by Helen Molyneux

The share purchase agreement contains detailed warranties and indemnities given by the Warrantors The agreement provides for certain financial limitations in respect of a breach of warranty claim The aggregate liability of the Warrantors in respect of a breach of warranty claim is £5,000,000

The Sellers have provided limited warranties in respect to, capacity of the Sellers, ownership of the Shares, liabilities owing to or by the Sellers, and competing interests In addition to these, the Warrantors have provided full warranties including, but not limited to, specific warranties in relation to litigation, the audited accounts, the management accounts, intellectual property, environmental matters, the conduct of the business and the Company's contracts, pensions and insolvency

The share sale agreement provides that the Warrantors will execute a Tax Covenant The Tax Covenant indemnifies the Company against any non-provided for tax liabilities incurred prior to Completion or for any tax liability which would have arisen and for which the Sellers would have been liable to the Company but which does not materialize because the Company is able to benefit from some form of tax relief

Completion is conditional upon completion of the Aust Agreement and in the event that the completion of the Aust Agreement has not been satisfied on or before 8 August 2008 (or such later date as may be agreed between the parties), the agreement shall lapse and no party shall make any claim against any other in respect of the agreement

Completion is conditional upon the passing of a resolution at a general meeting of the Company to approve the acquisition, to increase the authorised share capital so that it is at least sufficient to allot the consideration shares and Admission

Under a share purchase agreement dated 2 June 2008 and made between (1) Group Direct Limited and (2) STM FIDECS Trust Company Limited (as trustee of the Rock Holding Employee Benefit Trust), it was agreed that STM FIDECS Trust Company Limited would purchase 2,013,240 ordinary shares in the Company from Group Direct Limited The consideration to be paid to Group Direct is £382,516
Completion of the agreement is conditional upon Admission

Pursuant to the Norwich Union Subscription Agreement dated 2 June 2008, Norwich Union Investments has conditionally agreed to subscribe for 30,000,000 Ordinary Shares in the capital of the Company In addition, pursuant to the Stena Subscription Agreement dated 2 June 2008, Stena Invesments has conditionally agreed to subscribe for 25,789,474 Ordinary Shares in the capital of the Company (together the Placing) The Placing is conditional upon the Introduction Agreement having been entered into and not being terminated, Admission becoming effective on before 8 00 a m on 8 August 2008 (the "Long Stop Date") and none of the warranties being given by Norwich Union Investments, Stena Investments or contained in the Introduction Agreement being breached prior to Admission The subscription letters (together the "Subscription Letters") each contain provisions regarding the rights and obligations of the various parties which are customary for an agreement of this nature If the Introduction Agreement is not executed or the conditions relating to the Admission becoming effective on or before the Long Stop Date is not satisfied or the Introduction Agreement is otherwise terminated, then the Subscription will cease to have effect