Company number 05941335

Brightside Group Limited

Report and Financial Statements
for the year ended 31 December 2016

Brightside Group Limited

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for the year ended 31 December 2016

Company information

Company registration number:	05941335
Registered office:	Brightside Park Severn Bridge Aust Bristol BS35 4BL
Directors:	Mark Cliff Edward Green Neil Macmillan Ian Sutherland Graham Donoghue Russell Bence David Sweeney James Jones
Bankers:	Lloyds Bank plc 10 Gresham Street London EC2V 7AE
Solicitors:	Rosling King LLP 10 Old Bailey London EC4M 7NG
Auditor:	KPMG LLP 66 Queen Square Bristol BS1 4BE

Brightside Group Limited

Report and Financial Statements
for the year ended 31 December 2016

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Business Review and Future Developments

2016 was a challenging trading year for the Group with pressure on volumes and margin primarily relating to the Bristol operation. This was based on the loss of an Affinity partner as well as the need to build an improved insurance panel for the Bristol Broking business. The Directors are clear that investment in the right technology and process enhancement on the core business remains the priority. The operations based in Southampton, Torquay and Cardiff continued to deliver good results with the medical reporting business growing both top and bottom lines. The Directors believe that Brightside is well placed to deliver on its 5 year plan.

Brightside Group Limited ("the Group") continued to invest significantly in the business with the launch of Brightside Van on CDL Strata. In addition, significant work commenced on a range of operational processes.

Total revenue for the year was £49.4m which is 17% down on 2015 revenues of £59.4m. This revenue included £28.7m (2015: £34.4m) relating to insurance activities generated through the sale of 165,988 insurance policies (2015: 250,245).

The Directors of the Company have also made a number of strategic and operational decisions following the change of ownership which has resulted in a charge for reorganisation expenses in the year of £6.5m (2015: £19.8m). It is anticipated that this charge will fall significantly in 2017. The amount charged in relation to costs and provisions comprises non-recurring items including redundancy and reorganisation staff costs (£1.6m), eSystem/CDL change costs (£2.1m), provision for onerous contracts (£1.0m), legal and other professional fees (£1.8m).

The Directors use the key measure of operating profit before charges for depreciation, amortisation, impairment and reorganisation expenses ("EBITDA") to assess the underlying financial performance of the Group as, in the opinion of the Directors, this measure best reflects the underlying profitability and cash generation of the Group. Despite the matters described above the EBITDA for 2016 was £3.9m (2015: £7.0m) reflecting the underlying profitability of the activities of the Group.

The overall loss after taxation has improved significantly since acquisition of the Group in 2014. The reorganisation expenses of the group have reduced year on year and as a result, the loss of £43.7m in 2014 decreased to £16.4m in 2015 and £2.0m in 2016 respectively. The Directors expect a return to profit in 2017.

Performance Review

The performance of the Group is considered by reference to each of the principal activities of the Group as described below.

Insurance broking

Brightside Insurance Services Limited ("BISL"), is a wholly owned subsidiary and FCA regulated entity that undertakes the insurance broking activities for the Group. 2016 was a difficult trading year with pressure on volumes and margin primarily relating to the Bristol operation. This was as a result of the removal of a significant Affinity partnership that terminated in late 2015, as well as a need to build an improved insurance panel for the Bristol broking business. The anticipated benefits from the investment made in technology and process enhancements has therefore taken longer to improve the results than originally envisaged. The operations based in Southampton and Torquay continued to deliver strong results. The company launched a further product on its new CDL platform during 2016 and is looking forward to improved results in 2017.

During the year BISL generated revenue of £27.1m (2015: £34.0m), including inter-group income, through the sale of 165,988 insurance policies (2015: 250,245).

BISL uses a variety of financial and non financial KPIs to monitor performance on an ongoing basis although the key measure for the Group is EBITDA. BISL achieved an EBITDA of £1.1m for the year against £7.0m for the year to 31 December 2015. The decrease in EBITDA is mainly as a result of BISL bearing the central support costs of the Group in 2016 which had previously been borne by Group Direct Marketing Limited ("GDM").

Medical reporting

The medical reporting activities of the Group is carried out through its wholly owned subsidiary, Injury QED Limited ("IQED"). IQED performed strongly during the year and generated revenues of £20.7m (2015: £20.1m) in respect of 50,430 instructions from solicitors in relation to reports and rehabilitation sessions (2015: 65,329) and 41,938 instructions in relation to life insurance (2015: 20,365).

The Company uses a variety of financial and non-financial KPIs to monitor performance on an ongoing basis. The key measure for the Group is EBITDA and IQED achieved an EBITDA of £3.2m for the year as against £3.7m for the year to 31 December 2015, this reduction largely reflecting the recharge of Group costs into IQED in the year.

Software and web services

Group Direct Marketing Limited ("GDM") provided the Group's Lead Generation services and software and web services activities of the Group during 2016. Fees generated by the Lead Generation division of GDM decreased during the year to £1.6m (2015:2.1m). Following a decision by BISL to cease using the eSystem for new business during 2015, GDM no longer maintains and supports the eSystem from within its E System Platform & Maintenance division. The administrative and reorganisation costs borne by the Company during 2016 were significantly lower than the prior year as a result of moving central support services to BISL. This resulted in an EBITDA of £0.2m versus a loss of £7.0m in 2015.

Premium finance

The premium finance activities of the Group was historically provided by its wholly owned subsidiary, Panacea Finance Limited ("Panacea"). All loans of the Group are now provided by Close Brothers Premium Finance (CBPF), with the legacy Panacea book now fully run-off. As a result Panacea generated Nil revenues in 2016 (2015: £3.3 m), and Nil EBITDA (2015: £2.8m).

Financial Risk Management Objectives and Policies

The Group's activities expose it to a variety of financial risks, including liquidity risk, interest rate risk and credit risk.

Risk management is carried out by the finance function implementing policies approved by the Board of Directors.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet its foreseeable needs, and by investing cash assets safely. To manage liquidity risk the Group continually monitors forecast and actual cashflows to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom to provide cover for unexpected events.

At the balance sheet date the Group had total cash balances of £5.5m (2015: £6.3m), trade and other receivables of £41.1m (2015: £30.4m) and total liabilities of £41.2m (2015: £44.8m). These balances included balances in respect of insurance transaction as described in notes 15, 16 and 17 in the financial statements.

The Group's non-derivative financial liabilities are analysed into Borrowings and Trade and other payables. The maturity profile of the borrowings is shown in note 18 to the financial statements. A further loan of £3.7m was provided by Belvedere Bidco Limited to Brightside Insurance Services Limited during the year resulting in a total balance of £22.2m at the 31 December 2016.

The loans are interest free and repayable on demand, but the board of directors of Belvedere Bidco Limited has confirmed to the directors of the Company that they will not seek repayment of any or all of the amounts outstanding within 12 months of the date of approval of these accounts by the directors of the Company.

Trade and other payables at 31 December 2016 were £18.2m (2015: £17.5m) and are due within 1 year of the balance sheet date.

Interest rate risk

The Group is no longer subject to interest rate risk as the loans provided by the immediate parent undertaking of the Company, Belvedere Bidco Limited, are interest free.

Credit risk

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

The principal credit risk for the Group arises from its trade receivables in its insurance broking, premium finance, lead generation, and medical reporting businesses. In order to manage credit risk the directors have incorporated a range of credit control procedures to monitor receivables across the Group and to ensure that any amounts due are collected on a timely basis. Credit searches are also performed on clients above a certain value to minimise the risk in this area.

The Group had total receivables at the balance sheet date of £41.1m (2015: £30.4m). Of this amount £6.0m (2015: £3.0m) related to amounts due in respect of insurance transactions.

These balances are not deemed to represent a material exposure to credit risk as a failure by the individual debtor to repay the amounts due would result in the Group cancelling their underlying insurance policy, and therefore recovering any amounts due from the insurance company rather than the individual themselves.

The Group's maximum credit risk exposure is therefore deemed to equate to its receivables balance of £35.1m (2015: £27.4m), the majority of which relates to the Group's medical reporting business. The Directors have incorporated a range of credit control procedures to monitor bad debt levels, and to ensure that any debts are collected as they fall due. Aged debtors are categorised into on-going, settled and abandoned debt from which the settled cases are chased with the Third Party Insurers and any potential queries are raised directly with the acting solicitor. The aged debtors are reviewed by senior management on a monthly basis. The average invoice value included within trade payables for medical reporting was £327 at 31 December 2016.

Financial liabilities

Financial liabilities include bank borrowings and other loans as described in note 18 to the financial statements. The weighted average interest paid on the bank borrowings during the year ended 31 December 2016 was nil (2015: nil).

Financial assets

Other than trade receivables due to the Group's finance provider, the Group does not hold any fixed rate financial assets (2015: nil). Floating rate assets comprise pounds sterling cash balances.

Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure in order to minimise the cost of capital. The Group will continue to consider all options available in order to manage capital at an optimal level and the Director's monitor the return on capital employed.

Including the effect of reorganisation costs, the return on capital employed (calculated as Operating loss shown in the Consolidated Statement of Profit and Loss and other Comprehensive Income divided by Total equity and Long term borrowings shown in the Consolidated Statement of Financial Position) was a negative return of 10% in 2016 (2015: negative return of 41%). Excluding the effect of the reorganisation costs, the return on capital employed would have been 2% (2015: 9%).

The gearing ratio (calculated as total borrowings over total equity) of the Group decreased during the year from 60% at 31 December 2015 to 39% at 31 December 2016. This is as a result of an increase in share capital during 2016 of £19.7m.

Regulatory risk

Brightside Insurance Services Limited, a wholly owned subsidiary undertaking of the Company, is regulated by the Financial Conduct Authority and manages the risk of not complying with regulatory requirements, regulatory change or regulators' expectations. Failing to properly manage regulatory risk could result in regulatory sanctions being imposed and could harm the Group's reputation. Regulatory risk is managed through management controls in place and second line of defence monitoring these controls.

Approved by the Board on 3 May 2017 and signed on its behalf by:

Ian Sutherland
Director

Date: 4 May 2017

Report of the Directors
for the year ended 31 December 2016

Principal Activities

The principal activities of Brightside Group Limited (the "Company" or "the Group") in the year under review were those of insurance broker, medical reporting agency, lead generator, and provider of software and web services.

Dividends

No dividends were paid to the shareholders of the Company during the year (2015: £nil).

Directors

The Directors who served during the year were as follows:

Executive Directors	
Mark Cliff	
James Fairhurst	(resigned 31 December 2016)
Desmond O'Connor	(resigned 27 January 2016)
Ian Sutherland	
Russell Bence	(appointed 10 May 2016)
David Sweeney	(appointed 16 February 2016)
James Jones	(appointed 1 August 2016)
Non-executive Directors	
Peter Cartwright	(resigned 31 December 2016)
Edward Green	
Neil Macmillan	
Graham Donoghue	(appointed 18 April 2016)

Employees

The Group is committed to providing employment practices and policies which recognise the diversity of its workforce and ensures equality for employees regardless of sex, race, disability, age, sexual orientation or religious belief.

Employees are kept closely informed of 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.

Full and fair consideration is given to all applications for employment received from disabled people. Disabled employees and those individuals becoming disabled during the course of their employment with the Group receive full and fair access to training offered by the Group, and to career development and promotion opportunities available.

Political Donations

No political donations were made during the year (2015: nil).

Report of the Directors
for the year ended 31 December 2016

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is aware; and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board on 3 May 2017 and signed on its behalf by:

Ian Sutherland
Director
Brightside Park
Severn Bridge
Aust
Bristol
BS35 4BL

Date: 4 May 2017

Statement of Directors' Responsibilities
for the year ended 31 December 2016

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

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

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

Report of the Independent Auditor to the members of Brightside Group Limited

We have audited the financial statements of Brightside Group Limited for the year ended 31 December 2016 set out on pages 12 to 41. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Jonathan Bell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE
8 May 2017

Consolidated Statement of Profit and Loss and Other Comprehensive Income
for the year ended 31 December 2016

		Consolidated	
	Note	**2016 £000**	2015 £000
Revenue	4	**49,389**	59,447
Cost of sales		**(17,896)**	(21,418)
Gross profit		**31,493**	38,029
Administrative expenses		**(30,453)**	(34,314)
Reorganisation expenses	6	**(6,514)**	(19,846)
Operating loss	5	**(5,474)**	(16,131)
Finance costs (net)	10	**(20)**	(40)
Loss before income tax		**(5,494)**	(16,171)
Income tax credit/(expense)	11	**3,525**	(181)
Loss for the year		**(1,969)**	(16,352)
Other comprehensive income		**-**	-
Total comprehensive income		**(1,969)**	(16,352)
Attributable to:			
The shareholder		**(1,969)**	(16,352)

The notes on pages 17 to 41 are an integral part of these consolidated financial statements.

Consolidated and Company Statement of Financial Position
as at 31 December 2016

	Note	Consolidated		Company	
		31 December 2016 £000	31 December 2015 £000	**31 December 2016 £000**	31 December 2015 £000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**3,317**	3,498	**-**	-
Intangible assets	13	**44,221**	43,401	**27,581**	27,581
Investment in subsidiaries	14	**-**	-	**94,334**	74,443
Deferred income tax asset	21	**4,318**	793	**-**	-
Total non-current assets		**51,856**	47,692	**121,915**	102,024
Current assets					
Corporation tax receivable		**-**	6	**-**	-
Trade and other receivables	15	**41,127**	30,369	**30,203**	26,708
Cash and cash equivalents	16	**5,515**	6,340	**-**	-
Total current assets		**46,642**	36,715	**30,203**	26,708
TOTAL ASSETS		**98,498**	84,407	**152,118**	128,732
EQUITY AND LIABILITIES					
Capital and reserves attributable to the shareholder					
Share capital	22	**32,091**	12,438	**32,091**	12,438
Share premium	22	**36,868**	36,868	**36,868**	36,868
Reverse acquisition reserve		**2,530**	2,530	**56,250**	56,250
Retained earnings		**(14,232)**	(12,263)	**(8,948)**	(6,097)
Total equity		**57,257**	39,573	**116,261**	99,459
Current liabilities					
Current income tax liabilities		**-**	-	**-**	-
Trade and other payables	17	**18,183**	17,476	**32,192**	24,395
Provisions for other liabilities and charges	20	**859**	3,873	**-**	-
Borrowings	18	**22,199**	23,483	**3,665**	4,878
Total current liabilities		**41,241**	44,832	**35,857**	29,273
Non current liabilities					
Long term borrowings	18	**-**	2	**-**	-
Total non current liabilities		**-**	2	**-**	-
TOTAL EQUITY AND LIABILITIES		**98,498**	84,407	**152,118**	128,732

The notes on pages 17 to 41 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 3 May 2017 and were authorised for issue on its behalf by:

Ian Sutherland
Director

Date: 4 May 2017

Consolidated Statement of Changes in Shareholder's Equity
for the year ended 31 December 2016

	Share capital £000	Share Premium £000	Reverse Acquisition Reserve £000	Retained Earnings £000	Total £000
Equity as at 1 January 2015	**5,188**	**36,868**	**2,530**	**4,089**	**48,675**
Comprehensive income					
Loss for the year to 31 December 2015	-	-	-	(16,352)	(16,352)
Total comprehensive income for the year	-	-	-	(16,352)	(16,352)
Transactions with the owners					
Issue of shares	7,250	-	-	-	7,250
Total transactions with shareholder	7,250	-	-	-	7,250
Equity as at 31 December 2015	**12,438**	**36,868**	**2,530**	**(12,263)**	**39,573**
Comprehensive income					
Loss for the year to 31 December 2016	-	-	-	(1,969)	(1,969)
Total comprehensive income for the year	-	-	-	(1,969)	(1,969)
Transactions with the owners					
Issue of shares (note 22)	19,653	-	-	-	19,653
Total transactions with shareholder	19,653	-	-	-	19,653
Equity as at 31 December 2016	**32,091**	**36,868**	**2,530**	**(14,232)**	**57,257**

The notes on pages 17 to 41 are an integral part of these consolidated financial statements.

The loss for the year represents the retained earnings as stated on the Consolidated Statement of Profit and Loss and Other Comprehensive Income for the years ended 31 December 2016 and 2015.

The reverse acquisition reserve was created to enable the presentation of a consolidated balance sheet which combines the equity structure of the legal parent with the non statutory reserves of the legal subsidiary.

Company Statement of Changes in Shareholder's Equity
for the year ended 31 December 2016

	Attributable to the shareholder				
	Share capital £000	Share Premium £000	Reverse Acquisition Reserve £000	Retained Earnings £000	Total £000
Equity as at 1 January 2015	5,188	36,868	56,250	(2,831)	95,475
Comprehensive Income					
Loss for the year to 31 December 2014	-	-	-	(3,266)	(3,266)
Total comprehensive income for the year	-	-	-	(3,266)	(3,266)
Transactions with the owners					
Shares issued	7,250	-	-	-	7,250
Total transactions with the shareholder	7,250	-	-	-	7,250
Equity as at 31 December 2015	12,438	36,868	56,250	(6,097)	99,459
Comprehensive Income					
Loss for the year to 31 December 2016	-	-	-	(2,851)	(2,851)
Total comprehensive income for the year	-	-	-	(2,851)	(2,851)
Transactions with the owners					
Shares issued (note 22)	19,653	-	-	-	19,653
Total transactions with the shareholder	19,653	-	-	-	19,653
Equity as at 31 December 2016	**32,091**	**36,868**	**56,250**	**(8,948)**	**116,261**

The notes on pages 17 to 41 are an integral part of these consolidated financial statements.

The loss for the year represents the retained earnings of the Company for the years ended 31 December 2016 and 2015.

The reverse acquisition reserve which was created to enable the presentation of a consolidated balance sheet which combines the equity structure of the legal parent with the non statutory reserves of the legal subsidiary.

Consolidated and Company Statement of Cash Flows
for the year ended 31 December 2016

		Consolidated		Company	
	Note	**2016 £000**	2015 £000	**2016 £000**	2015 £000
Cash flows from operating activities					
Cash generated from operations	23	**(13,476)**	(4,537)	**1,417**	(7,866)
Income tax received/(paid)		**6**	1,525	**-**	-
Net cash (used in)/generated from operating activities		**(13,470)**	(3,012)	**1,417**	(7,866)
Cash flows from investing activities:					
Payments to acquire property, plant and equipment		**(248)**	(135)	**-**	-
Payments to acquire intangible assets		**(3,238)**	(5,832)	**-**	-
Proceeds on disposal of property, plant and equipment		**-**	-	**-**	-
Investment in subsidiary company		**-**	-	**(19,891)**	(4,000)
Net cash flows used in investing activities		**(3,486)**	(5,967)	**(19,891)**	(4,000)
Cash flows from financing activities:					
Issue of share capital	22	**19,653**	7,250	**19,653**	7,250
Repayment of borrowings	18	**(4,878)**	-	**(4,878)**	-
Amounts paid on behalf of parent undertakings		**(2,216)**	(4,726)	**-**	-
Loans received from parent undertakings	18	**3,665**	878	**3,665**	4,878
Repayment of other borrowings	18	**(73)**	(217)	**-**	-
Interest (paid)/received		**(20)**	(28)	**34**	(262)
Net cash flows generated from financing activities		**16,131**	3,157	**18,474**	11,866
Net (decrease)/increase in cash and cash equivalents		**(825)**	(5,822)	**-**	-
Cash and cash equivalents at beginning of year		**6,340**	12,162	**-**	-
Cash and cash equivalents at end of year		**5,515**	6,340	**-**	-

The Company does not hold a bank account and as a result all transactions are handled by other Group Companies. The Company items represent material non-cash transactions only.

1 General information

The principal activities of the Group are those of insurance broker, medical reporting agency, lead generator, and provider of software and web services. The principal activity of the Company is that of a holding company.

The address of its registered office is Brightside Park, Severn Bridge, Aust, Bristol, BS35 4BL.

The Financial Statements have been presented in Sterling as all transactions are denominated in Sterling and it is the functional currency of each group company as all the businesses are located in the United Kingdom.

2 Summary of significant accounting policies

i) Basis of preparation

The consolidated and company financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated and parent 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 judgment 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 3.

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 periods beginning on 1 January 2016. None of the amendments to standards listed below had an impact on the Company.

The standards, amendments and interpretations which became effective in 2016 were:

- IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation"
- IAS 27 "Separate Financial Statements"
- IAS 1 "Presentation of Financial Statements" - Disclosure Initiative
- "Annual Improvements to IFRSs 2012-2014 Cycle" – amendments to the following standards - IFRS 5, IFRS 7, IAS 9.

The following standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 January 2017 or later periods but which the Company has not early adopted:

- IFRS 9 "Financial Instruments" (effective date 1 January 2018)
- IFRS 15 "Clarification to Revenue from Contract with Customers" (effective date 1 January 2018)
- IAS 7 "Statement of Cash Flows" – Disclosure Initiative (effective date to be confirmed)
- IAS 12 "Income Taxes" – Amendments to the recognition of Deferred Tax Assets for Unrealised Losses (effective date to be confirmed)
- IFRS 4 "Insurance Contracts" – Amendments to applying IFRS 9 Financial Instruments with IFRS 4 (effective date to be confirmed)

ii) Company Statement of Comprehensive Income

As permitted by s408 Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income. The loss for the year recognised by the Company was £3.7m (2015: loss of £3.3m) after the inclusion of Reorganisation expenses of £1.7m (2015: £3.1m).

iii) Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and entities controlled by the Company listed in note 14 made up to 31 December each year.

The purchase method of accounting has been used to account for the acquisition of subsidiaries and business combinations by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition related costs are generally recognised in the Statement of Comprehensive Income as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is regarded as goodwill. If the fair value of identifiable assets and liabilities acquired exceeds the cost of the business combination (i.e. discount on acquisition), the difference is recognised directly in the Statement of Comprehensive Income.

All intra-Group transactions, balances, and unrealised gains and losses on transactions between Group companies are eliminated on consolidation.

iv) Going concern

These accounts have been prepared on a going concern basis as the directors believe that the Company and Group has sufficient funds for the foreseeable future (being at least 12 months from the date of signing the 2016 accounts) to meet its liabilities as and when they fall due. A review of the annual budget and financial forecasts was used as the basis for reaching this conclusion.

In addition the directors have received confirmation from the board of Belvedere Bidco Limited that they will not seek repayment of the amounts due by the Group to Belvedere Bidco Limited as set out in note 18 within 12 months of the date of approval of these financial statements.

A further 491,484,600 ordinary shares of £0.01 each were issued on 27 February 2017 at par. 125,000,000 of the shares issued were for cash consideration to Belvedere Bidco Limited and the remaining 366,484,600 were issued in exchange for the set off of loans outstanding to Belvedere Bidco Limited raising an additional £4.9m of share capital for the Company. See note 28.

v) Property, plant and equipment

Property, plant and equipment is stated at historical cost, net of depreciation. Depreciation is calculated using the straight-line method to write off the cost of assets, less their estimated residual values, over their estimated useful lives. The rates generally applicable are:

Investment property	2.5% on a straight line basis
Fixtures, fittings and equipment	20% on a straight line basis
Computer hardware	33% on a straight line basis
Motor vehicles	25% on a straight line basis

vi) Intangible assets

Separately identifiable intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation. Amortisation is recognised over their useful economic lives, with the charge included in Administrative expenses in the Statement of Comprehensive Income. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Computer software, which is not an integral part of the related hardware, is stated at historical cost less amortisation. Amortisation is provided at rates calculated to write off the cost, less estimated residual value, on a straight-line basis over their useful economic life. The current maximum estimated economic life of these assets is 3 years.

Assets in the course of construction ("AICC") are carried at cost, less any identified impairment loss. Amortisation of these assets commences when the assets are ready for their intended use.

vi) Intangible assets (continued)

Separately identifiable intangible assets (continued)

Historically, the Group carried certain assets in relation to the eVan, eCar, eBike and Affinity policy books. These were categorised within intangibles and stated at historical cost less amortisation and provision for impairment. Amortisation was provided at rates calculated to write off the cost of the policy books over their useful economic life. These policy books are now fully amortised.

Goodwill

All goodwill is deemed to have an indefinite useful economic life.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets', and is tested annually for impairment, and carried at cost less accumulated impairment losses. Impairment losses are charged to administrative expenses in the Statement of Comprehensive Income.

As described in note 13 to the financial statements this includes the effect of a reassessment by the directors of the future level of cash flows to be derived from the goodwill acquired.

vii) Investment in subsidiary undertakings

Subsidiaries are entities that are directly or indirectly controlled by the Company. Control exists where the Company has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

Transactions, balances, unrealised gains and unrealised losses on transactions between Group companies are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

viii) Impairment of non financial assets

Assets with either an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cashflows (cash generating units). Non-financial assets other than goodwill that have previously been impaired are reviewed for possible reversal of the impairment at each balance sheet date.

ix) Financial assets

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 those with 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.

Trade receivables comprise receivables relating to transactions arising from the insurance broking activities of the Group, loans and advances due from clients relating to the financing of insurance premiums by the Group, and trade receivables relating to fees billed in respect of the other activities of the Group.

Trade receivables are recognised initially at fair value, 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.

Investments not carried at fair value through the Statement of Comprehensive Income are initially recognised at fair value. Financial assets carried at fair value through the Statement of Comprehensive Income are initially recognised at fair value, and transaction costs are expensed in the Statement of Comprehensive Income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

The financial assets of the Company and Group have been secured against a bank borrowing provided to Belvedere Bidco Limited, a parent undertaking. The amount owing at the balance sheet date was £31.5m.

x) Insurance broking receivables and payables

The Group acts as agents in placing the insurable risk of their clients with insurers and, as such, are not liable as principals for amounts arising from such transactions. The Group has, notwithstanding its legal relationship with clients and underwriters, followed generally accepted accounting practice by showing cash, debtors and creditors relating to insurance broking business as assets and liabilities of the Group. The amounts of the debtors, cash and creditors relating to insurance broking are disclosed separately in notes 15, 16 and 17 respectively.

xi) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

xii) 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.

xiii) 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 Company 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 Statement of Comprehensive Income in the period in which they are incurred.

xiv) Share capital

Ordinary shares are classified as equity in the balance sheet and are recorded as the proceeds received net of direct issue costs. The costs related to issuing share capital are taken to the share premium account in accordance with IAS 32 'Financial Instruments: Presentation'.

xv) 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 substantively 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.

xvi) Revenue recognition

The revenue of the Group comprises commission and brokerage fees relating to insurance activities, interest, commission and fees received in relation to its premium finance activities including third party loan books, fee income generated through the provision of medical report services, and other fees and income generated from the sale of leads and software services.

Insurance commission and fee income is recognised on the date the underlying insurance policy goes on risk. Fees generated from premium financing activities outsourced to a third party is recognised in the month that the policy is financed. As a result, a provision is made in relation to the estimated clawback arising from future cancellations on unexpired financed policies at the balance sheet date.

Fee income relating to the medical reporting business is recognised when the service has been provided. Other income is recognised at the time the service is provided.

Where work is performed over a period of time revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is not recognised until the significant risks and rewards of ownership of the services have passed to the client and the amount of revenue can be measured reliably. Full provision is made for all known expected losses at the point that such losses are forecast.

xvii) Employee benefits

Throughout the year the Group provided a non-contributory employer stakeholder pension scheme and offers two Auto Enrolment pension schemes, enrolment into which is dependent upon salary band.

xviii) 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 Statement of Comprehensive Income on a straight-line basis over the period of the lease.

xix) Cash and cash equivalents

Cash and cash equivalents comprise all cash balances, cash held in office accounts and client accounts.

3 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy described in note 2. These calculations require the use of estimates and assumptions prepared by the Directors as detailed in note 13. The value of goodwill in the Statement of Financial Position for the Company at 31 December 2016 is £27.6m (2015: £27.6m), and for the Group is £37.0m (2015: £37.0m). The value of goodwill stated for the Company at December 2016 is stated after a charge for impairment in the year of £nil (2015:£2.1m) arising from the impairment test carried out at 31 December 2016, and for the Group was £nil (2015:£3.0m) as shown in note 13.

Trade and other receivables

The Group had total receivables at the balance sheet date of £41.1m (2015: £30.4m). Of this amount £6.0m (2015: £3.0m) related to amounts due in respect of insurance transactions.

Provision has been made against insurance receivables of £2.35m (2015:£1.45m). An element of the insurance receivables balance at the balance sheet date relates to premiums due to insurers which are not deemed to represent an exposure to credit risk. The failure by the individual debtor to repay the amounts due would result in the Group cancelling their underlying insurance policy, and therefore recovering return premiums due from the insurance company. Provision is made to cover the Group's commission, fee and time on risk element of the aged debtor balances held at the balance sheet date.

The Group's maximum credit risk exposure is therefore deemed to equate to its other receivables of £35.3m (2015: £28.8m) before provisions for impairment which do not relate to insurance receivables (net of provision) and prepayments and accrued income. This amount includes £26.7m (2015: £22.1m) relating to the Group's medical reporting business where the recovery of the fees charged is subject to the ultimate success of the claim by the client. As a result the directors have exercised judgement to estimate the provision for impairment, including receivables which are not past due, based on historic trends which has been included within the provision for impairment of receivables shown in note 15. No terms of the Group's financial assets including its trade receivables have been renegotiated during either the current or the prior year which would otherwise have resulted in the balance being past due or impaired.

Against the receivables balance which do not relate to insurance receivables or prepayments and accrued income the Group has recognised a provision for impairment of £1.0m (2015: £1.0m), representing 3% (2014: 4%) of the value of these receivables reflecting reassessments made by the directors. If the actual percentage of bad debts experienced by the Group in relation to these receivables differed by 1% to that estimated the provision made would be under/over stated by £0.35m (2015: £0.2m).

Deferred tax asset

As at 31 December 2016, Group Direct Marketing Limited held a deferred tax asset of £0.4m (2015: £0.4m) resulting from historic trading losses arising from the lead generation trade. These losses can only be utilised if the lead generation trade continues to produce profits in the future. The recoverability of the deferred tax asset has been assessed based on the pre-tax cash flows obtained from financial budgets approved by management covering the five year period ended 31 December 2019.

The key assumptions used to prepare the financial budgets are as follows:

- availability of data for lead generation purposes;
- growth in leads generated through lead generation activities; and
- average income per lead generated.

4 Revenue by nature

The breakdown of revenue by category is as follows:

	2016 £000	2015 £000
Insurance broking commission and fees	**21,131**	28,673
Premium finance income	**4,799**	3,845
Other insurance income	**1,348**	1,897
Income from insurance activities	**27,278**	34,415
Medical reporting	**20,689**	20,096
Finance provider interest and fees	-	3,256
Other fees	**1,422**	1,680
Total	**49,389**	59,447

5 Expenses by nature

The operating (loss)/profit from continuing operations has been arrived at after charging the following items:

	2016 £000	2015 £000
Depreciation charge (note 12)	**429**	463
Amortisation of intangible assets (note 13)	**2,418**	2,841
Employee benefit expense	**20,937**	27,496
Operating lease rentals - Land and Buildings	**648**	584
Operating lease rentals - Other	**217**	698
Auditor's remuneration (note 7)	**202**	187
Reorganisation expenses (note 6)	**6,514**	19,846

6 Reorganisation expenses

The operating (loss)/profit from continuing operations has been arrived at after charging the following reorganisation expenses following the transfer of ownership of the parent undertaking of the Company:

	2016 £000	2015 £000
Impairment provisions (note 13)	-	6,408
Costs and provisions	**6,514**	13,438
	6,514	19,846

The amount charged in relation to costs and provisions comprises provision for onerous contracts £1.0m (2015: £2.2m), provisions for eSystem/CDL change costs £2.1m (2015: £4.4m), redundancy and reorganisation staff costs £1.6m (2015: £4.2m) and legal and other professional fees £1.8m (2015: £1.6m).

The 2015 charge for impairment relates to a reassessment by the directors of the expectations of future cash flows relating to historical Goodwill allocated to specific cash generating units of the Group and certain policy books acquired as described in note 13.

7 Auditor remuneration

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

	2016 **£000**	2015 £000
Fees payable to the company's auditor for the audit of the parent company and consolidated financial statements	**20**	20
Fees payable to the company's auditor and its associates for other services:		
- The audit of the company's subsidiaries pursuant to legislation	**137**	137
- Other services pursuant to legislation	**45**	30
- Other services	**-**	-
Total	**202**	187

8 Employee benefit cost

	2016 **£000**	2015 £000
Wages and salaries	**18,889**	24,604
Social security costs	**1,723**	2,366
Pension costs	**325**	526
Total	**20,937**	27,496

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

	2016 **Number**	2015 Number
Directors	**6**	6
Sales and administration	**690**	852
Total	**696**	858

The directors shown above are those of Brightside Group Limited only. The Company has no employees other than those Directors detailed on page 8.

Employee benefit expenses are charged to Administrative expenses in the Consolidated Statement of Comprehensive Income.

9 Directors remuneration

The charge for the remuneration of directors who held office during the year was as follows:

	2016 £000	2015 £000
Salaries and fees	**1,380**	1,341
Benefits	**188**	284
Bonus	**-**	250
Compensation for loss of office	**72**	278
Total remuneration	**1,640**	2,153

During the year retirement benefits were accruing to 8 directors (2015: 7) in respect of defined contribution pension schemes, and 2 directors (2015: 0) received payments arising from the exercise of share options and the subsequent sale of the shares to Belvedere Bidco Limited, the immediate parent undertaking of the Company.

The highest paid director received remuneration of £415,000 (2015: £461,667). The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (2015: £nil).

10 Finance costs

	2016 £000	2015 £000
Bank borrowings	**-**	2
Other interest expense	**20**	41
Total finance costs	**20**	43
Other interest received	**-**	(3)
Net finance costs	**20**	40

11 Income tax credit/(expense)

The credit/(charge) for income tax for the year comprised the following:

	2016 £000	2015 £000
Current Tax		
Current tax on profits in period	**-**	-
Adjustments in respect of prior periods	**-**	1,419
	-	1,419
Deferred Tax (note 21)		
Origination and reversal of temporary differences	**29**	28
Tax losses carried forward	**3,540**	(319)
Prior year adjustment	**-**	(1,070)
Effect of changes in tax rate	**(44)**	(239)
Income tax credit/(expense) for the year	**3,525**	(181)

Taxation differs from the standard rate of corporation tax in the UK as applied to the profits as explained below:

	2016 £000	2015 £000
Loss before taxation	**(5,494)**	(16,171)
Loss on ordinary activities multiplied by the average standard rate of corporation taxation of 20% (2015: 20.25%)	**(1,098)**	3,274
Effects of:		
Amounts surrendered by Group companies	**(104)**	-
Amounts not deductible for tax purposes	**1**	(502)
Utilisation of losses brought forward	**28**	214
Origination and reversal of temporary differences	**(26)**	(23)
Unrelieved tax losses arising in the period	**1,201**	(4,763)
Deferred tax asset now recognised	**2,856**	-
Adjustments in respect of prior periods	**-**	1,419
Effect of changes in tax rate	**667**	200
Income tax credit/(expense) for the year	**3,525**	(181)

The Finance Act 2013 reduced the main rate of corporation tax to 20% from 1 April 2015. Accordingly, the Group's profits for year to 31 December 2016 are taxed at an effective rate of 20% (year to 31 December 2015-20.25%).

The effect of changes in tax rate in the year relates to the difference between the effective tax rate when the losses arose and the rate of 20% at which the losses are expected to be utilised.

12 Property, plant and equipment

	Consolidated - 2016				
	Freehold property £000	**Fixtures, fittings and equipment £000**	**Motor vehicles £000**	**Computer hardware £000**	**Total £000**
Cost					
Balance at 1 January 2016	3,017	1,456	73	1,463	6,009
Additions	84	17	-	147	248
Write offs/assets no longer in use	-	(269)	(73)	(139)	(481)
Balance at 31 December 2016	**3,101**	**1,204**	**-**	**1,471**	**5,776**
Depreciation and impairment losses					
Balance at 1 January 2016	(145)	(1,025)	(73)	(1,268)	(2,511)
Depreciation	(66)	(228)	-	(135)	(429)
Write offs/assets no longer in use	-	269	73	139	481
Balance at 31 December 2016	**(211)**	**(984)**	**-**	**(1,264)**	**(2,459)**
Net book value					
At 1 January 2016	2,872	431	-	195	3,498
At 31 December 2016	**2,890**	**220**	**-**	**207**	**3,317**

At 31 December 2016 the net carrying amount of leased computer hardware was £nil.

12 Property, plant and equipment (continued)

	Consolidated - 2015				
	Freehold property £000	**Fixtures, fittings and equipment £000**	**Motor vehicles £000**	**Computer hardware £000**	**Total £000**
Cost					
Balance at 1 January 2015	3,006	1,813	73	1,686	6,578
Additions	11	31	-	99	141
Disposals	-	(388)	-	(322)	(710)
Balance at 31 December 2015	**3,017**	**1,456**	**73**	**1,463**	**6,009**
Depreciation and impairment losses					
Balance at 1 January 2015	(107)	(1,134)	(61)	(1,456)	(2,758)
Depreciation	(38)	(279)	(12)	(134)	(463)
Disposals	-	388	-	322	710
Balance at 31 December 2015	**(145)**	**(1,025)**	**(73)**	**(1,268)**	**(2,511)**
Net book value					
At 1 January 2015	2,899	679	12	230	3,820
At 31 December 2015	**2,872**	**431**	**-**	**195**	**3,498**

The depreciation charge for 2016 and 2015 has been included within Administrative expenses in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

The borrowings of the parent undertaking are secured against the assets of the Group including the freehold property.

13 Intangible assets

The movement on intangible assets for the Group during the year was as follows:

	Consolidated - 2016				
	Goodwill £000	**Other intangibles £ 000**	**Computer software and licences £ 000**	**Assets in course of construction £ 000**	**Total £ 000**
Cost					
Opening balance as at 1 January 2016	45,621	27,681	32,317	6,577	112,196
Additions	-	-	3,019	219	3,238
Transfers	-	-	6,476	(6,476)	-
Write offs/assets no longer in use	-	(6,960)	(1,532)	-	(8,492)
Balance at 31 December 201631 December 2013	**45,621**	**20,721**	**40,280**	**320**	**106,942**
Amortisation and impairment losses					
Opening balance as at 1 January 2016	(8,598)	(27,681)	(30,474)	(2,042)	(68,795)
Amortisation	-	-	(2,418)	-	(2,418)
Impairment	-	-	-	-	-
Transfers	-	-	(2,042)	2,042	-
Write offs/assets no longer in use	-	6,960	1,532	-	8,492
Balance at 31 December 201631 December 2013	**(8,598)**	**(20,721)**	**(33,402)**	**-**	**(62,721)**
Net book amount at 31 December 20162	**37,023**	**-**	**6,878**	**320**	**44,221**

Assets in course of construction comprises capitalised staff costs and external implementation costs in relation to the new insurance broking platform, CDL Strata.

13 Intangible assets (continued)

The movement on intangible assets for the Group during the previous year was as follows:

	Consolidated - 2015				
	Goodwill £000	Other intangibles £ 000	Computer software and licences £ 000	Assets in course of construction £ 000	Total £ 000
Cost					
Opening balance as at 1 January 2015	45,621	27,681	30,968	2,100	106,370
Additions	-	-	1,469	4,363	5,832
Transfers	-	-	(120)	120	-
Disposals	-	-	-	(6)	(6)
Balance at 31 December 2015 31 December 2013	**45,621**	**27,681**	**32,317**	**6,577**	**112,196**
Amortisation and impairment losses					
Opening balance as at 1 January 2015	(5,563)	(22,961)	(28,980)	(2,042)	(59,546)
Amortisation	-	(1,639)	(1,202)	-	(2,841)
Impairment	(3,035)	(3,081)	(292)	-	(6,408)
Disposals	-	-	-	-	-
Balance at 31 December 2015 31 December 2013	**(8,598)**	**(27,681)**	**(30,474)**	**(2,042)**	**(68,793)**
Net book amount at 31 December 2015	**37,023**	-	**1,843**	**4,535**	**43,401**

The movement on intangible assets for the Company during the year was as follows:

	Company – 2016				
	Goodwill £000	Other intangibles £000	Computer software and licences £000	Assets in course of construction £000	Total £000
Cost					
Opening balance as at 1 January 2016	33,156	6,068	-	-	39,224
Balance at 31 December 2016	**33,156**	**6,068**	-	-	**39,224**
Amortisation and impairment losses					
Opening balance as at 1 January 2016	(5,575)	(6,068)	-	-	(11,643)
Amortisation	-	-	-	-	-
Impairment	-	-	-	-	-
Balance at 31 December 2016	(5,575)	(6,068)	-	-	(11,643)
Net book amount at 31 December 2016	**27,581**	-	-	-	**27,581**

13 Intangible assets (continued)

The movement on intangible assets for the Company during the previous year was as follows:

	Company - 2015				
	Goodwill £000	Other intangibles £000	Computer software and licences £000	Assets in course of construction £000	Total £000
Cost					
Opening balance as at 1 January 2015	33,156	6,068	-	-	39,224
Balance at 31 December 2015	**33,156**	**6,068**	-	-	**39,224**
Amortisation and impairment losses					
Opening balance as at 1 January 2015	(3,455)	(6,034)	-	-	(9,489)
Amortisation	-	-	-	-	-
Impairment	(2,120)	(34)	-	-	(2,154)
Balance at 31 December 2015	(5,575)	(6,068)	-	-	(11,643)
Net book amount at 31 December 2015	**27,581**	-	-	-	**27,581**

The amortisation charge is included within Administrative expenses shown in the Consolidated Statement of Profit and Loss and Other Comprehensive Income. The impairment charge for 2015 is included within Reorganisation costs shown in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary/undertaking at the date of acquisition. The impairment of Goodwill is tested annually based on the Group's cash generating units identified according to operating segment.

The consolidated net book value of Goodwill at 31 December 2015 and 2016 for each cash generating unit was as follows:

	Consolidated				
	2015 £000 Cost	2015 £000 Impairment	2015 £000 NBV	**2016 £000 Impairment**	**2016 £000 NBV**
Taxi, OBIS and M&H business	2,203	-	2,203	-	**2,203**
eBike business	3,214	(1,177)	2,037	-	**2,037**
eCar business	24,284	(943)	23,341	-	**23,341**
Brightside Group business	3,525	(915)	2,610	-	**2,610**
IQED business	5,171	-	5,171	-	**5,171**
Quote Exchange business	1,661	-	1,661	-	**1,661**
Total	40,058	(3,035)	37,023	-	**37,023**

The total Group provision for impairment at 31 December 2016 was £nil (2015: £3.0m) following the impairment review carried out as at 31 December 2016.

The recoverable amount of Goodwill calculated at 31 December 2016 was determined on the basis of value in use calculations. These calculations use pre tax cash flow projections based on financial budgets and forecasts approved by management covering the five year period ended 31 December 2021 together with the addition of a terminal value.

13 Intangible assets (continued)

The key assumptions used to prepare the financial budgets are based on historical experience, which includes the Group's actual achievement against budget. Other information relating to current trading performance, which includes business statistics produced on a daily and monthly basis, allow projections to be based on the most up to date information.

The cash flow forecasts used in the value in use calculations have been extended beyond the five year period covered by management's financial forecasts over the remaining useful life. A discount rate of 11.6% (2015: 11.6%) has been applied to all cash flow projections.

From the annual impairment review of the goodwill balances relating to the acquisition of Injury QED Limited and the acquisition of the Quote Exchange Limited business no reasonably possible changes in key assumptions were identified which would result in the goodwill balance exceeding the recoverable amount.

For the acquisition of eCar, which represents 63% of the consolidated net book amount of goodwill at 31 December 2016, an increase in the discount rate from 11.6% to a revised assumption of 13% or more would cause the recoverable amount to fall £5.7m.

The net book value of Goodwill in the Statement of Financial Position of the Company at 31 December 2015 and 2016 for each cash generating unit was as follows:

	Company				
	2015 £000 Cost	2015 £000 Impairment	2015 £000 NBV	**2016** **£000** **Impairment**	**2016** **£000** **NBV**
Taxi, OBIS and M&H business	2,203	-	2,203	**-**	**2,203**
eBike business	3,214	(1,177)	2,037	**-**	**2,037**
eCar business	24,284	(943)	23,341	**-**	**23,341**
Total	29,701	(2,120)	27,581		**27,581**

No impairment charge was required in 2016 following the impairment test. The Company provision for impairment at 31 December 2015 includes a charge of £2.1m made in the year resulting from the reassessment of the future level of cash flows to be derived from the eCar and eBike businesses as described above.

14 Investments in subsidiary undertakings

Company

	2016 £000	2015 £000
Shares in Group undertakings		
At 1 January	**74,443**	70,443
Addition	**19,891**	4,000
Impairment	**-**	-
At 31 December	**94,334**	74,443

On 26 January 2016 Brightside Group Limited subscribed for 8,600,000 ordinary shares of £1.00 each in the capital of Brightside Insurance Services Limited. The consideration for the subscription was for cash at par. On the same date the Company subscribed for an additional 4,991,000 shares in exchange for set-off of an equal loan amount owed.

On 23 March 2016 the Company subscribed for 2,500,000 ordinary shares of £1.00 each in the capital of Brightside Insurance Services Limited. The consideration for the subscription was for cash at par.

On 25 May 2016 the Company subscribed for 1,750,000 ordinary shares of £1.00 each in the capital of Brightside Insurance Services Limited. The consideration for the subscription was for cash at par.

On 23 June 2016 the Company subscribed for 2,050,000 ordinary shares of £1.00 each in the capital of Brightside Insurance Services Limited. The consideration for the subscription was for cash at par.

Investments in Group undertakings are stated at cost.

The Group's investments at the balance sheet date in the share capital of unlisted Group undertakings include the following:

Subsidiary Undertaking	Registered number	Class of shares	Proportion held	Principal activity
Injury QED Limited	06025278	Ordinary	100%	Medical Reporting
Brightside Insurance Services Limited	04137311	Ordinary	100%	Insurance Broker
Panacea Finance Limited	04307838	Ordinary	100%	Finance Provider
Group Direct Marketing Limited	05602909	Ordinary	100%	Software Provider and Recharges
MMT Centre Investments Limited	07882791	Ordinary	100%	Facilities Management

All the Group companies are registered in England and Wales.

All of these companies were 100% subsidiaries of the Group throughout 2016.

The Group holds investments in dormant companies. These investments are not material and therefore the Group has elected not to disclose these companies.

Dormant Companies	Registered number	Class of shares	Proportion held	Capital and reserves
David & Co. Consultants Limited	SC199775	Ordinary	100%	£2
E Insurance Services Limited	05603030	Ordinary	100%	£100
Group Direct Limited	04312135	Ordinary	100%	£700
Quote Exchange Limited	05635159	Ordinary	100%	£98
E-Systems Limited	93185	Ordinary	100%	£100

15 Trade and other receivables

	Consolidated		Company	
	31 December 2016 £000	31 December 2015 £000	**2016 £000**	2015 £000
Receivables relating to insurance transactions	**6,006**	2,992	-	-
Loans and advances due from clients	-	19	-	-
Trade receivables	**27,580**	23,253	-	-
Less: provision for impairment of receivables	**(3,345)**	(2,453)	-	-
Receivables due from Group undertakings	-	-	**29,881**	26,329
Receivables due from parent undertakings	**7,612**	5,162	**165**	90
Prepayments and accrued income	**3,142**	964	**107**	39
Other receivables	**132**	432	**50**	250
Total	**41,127**	30,369	**30,203**	26,708
Current portion	**41,127**	30,369	**30,203**	26,708

The Directors consider that the carrying value of trade and other receivables approximates their fair value.

At 31 December 2016 receivables of £2,855,000 (2015: £1,877,000) were past due but not impaired. This balance relates to customers for whom there is no history of default. These balances mainly relate to the medical reporting business whereby terms of trade are in line with the settlement date of legal cases.

16 Cash and cash equivalents

	Consolidated		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Current accounts	**2,042**	323	**-**	-
Client accounts	**3,473**	6,017	**-**	-
Total	**5,515**	6,340	**-**	-

The client account balance relates to insurance transactions and cannot be utilised by the Group for general purposes.

17 Trade and other payables

	Consolidated		Company	
	31 December	31 December		
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Payable relating to insurance transactions	**6,304**	5,738	**-**	-
Trade payables	**4,724**	6,675	**-**	-
Payables due to fellow Group companies	**-**	-	**31,705**	24,108
Payables due to parent undertakings	**180**	180	**-**	-
Tax and social security	**779**	836	**-**	-
Accruals and deferred income	**3,105**	3,804	**487**	287
Other payables	**3,091**	243	**-**	-
Total	**18,183**	17,476	**32,192**	24,395

The Directors consider that the carrying value of trade and other payables approximate their fair value.

18 Borrowings

	Consolidated		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Current borrowings				
Loan from parent undertaking (note 25)	**22,199**	23,412	**3,665**	4,878
Other loans	**-**	71	**-**	-
Total current borrowings	**22,199**	23,483	**3,665**	4,878
Non current borrowings				
Other loans	**-**	2	**-**	-
Total non current borrowings	**-**	2	**-**	-
Total borrowings	**22,199**	23,485	**3,665**	4,878

The repayment profile of borrowings is as follows:

	Consolidated		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Amounts falling due within one year or on demand				
Loan from parent undertaking (note 25)	**22,199**	23,412	**3,665**	4,878
Other loans	**-**	71	**-**	-
	22,199	23,483	**3,665**	4,878
Amounts falling due between one and two years				
Other loans	**-**	2	**-**	-
Total borrowings	**22,199**	23,485	**3,665**	4,878

The loans from parent undertakings were provided by Belvedere Bidco Limited, the immediate parent undertaking of the Company. The loans were provided interest free and are repayable on demand although Belvedere Bidco Limited has confirmed to the Directors that they will not seek repayment of the loans within the period of 12 months from the date that these financial statements were approved by the Directors. £4.8m of the loans outstanding at 31 December 2015 was applied as consideration for the issue on 26 January 2016 of 479,100,000 ordinary shares at par to Belvedere Bidco Limited as described in note 22. During the year Belvedere Bidco provided further interest free loans to the Company totalling £3.7m.

All obligations under finance leases were extinguished during 2016.

The fair value of borrowings and other loans equals their carrying amount, as the impact of discounting is not considered material. All borrowings are denominated in Sterling.

19 Financial instruments

Financial Assets	Consolidated				Company			
	Carrying amount 2016 £000	**Fair value 2016 £000**	Carrying amount 2015 £000	Fair value 2015 £000	**Carrying amount 2016 £000**	**Fair value 2016 £000**	Carrying amount 2015 £000	Fair value 2015 £000
Loans and receivables								
Cash and cash equivalents	**5,515**	**5,515**	6,340	6,340	-	-	-	-
Other loans and receivables excluding prepayments	**37,985**	**37,985**	29,405	29,405	**30,096**	**30,096**	26,669	26,669
Total financial assets	**43,500**	**43,500**	35,745	35,745	**30,096**	**30,096**	26,669	26,669

Financial Liabilities	Consolidated				Company			
	Carrying amount 2016 £000	**Fair value 2016 £000**	Carrying amount 2015 £000	Fair value 2015 £000	**Carrying amount 2016 £000**	**Fair value 2016 £000**	Carrying amount 2015 £000	Fair value 2015 £000
Liabilities measured at amortised cost								
Loans and borrowings	**22,199**	**22,199**	23,485	23,485	**3,665**	**3,665**	4,878	4,878
Trade and other payables excluding statutory liabilities	**17,404**	**17,404**	16,640	16,640	**32,192**	**32,192**	24,395	24,395
Total financial liabilities	**39,603**	**39,603**	40,125	40,125	**35,857**	**35,857**	29,273	29,273

20 Provisions for liabilities and charges

Consolidated

	Cancellation £000	SRICL £000	Onerous Contracts £000	VAT £000	Asda £000	Restructuring £000	Lysander £000	Dilapidations £000	**Total £000**
Balance at 1 January 2016	631	857	-	425	882	431	372	275	**3,873**
Provisions made during the year	-	-	339	-	-	-	-	-	**339**
Provisions used during the year	(198)	(857)	-	(425)	(882)	(431)	(435)	(125)	**(3,353)**
Balance at 31 December 2016	**433**	-	**339**	-	-	-	**(63)**	**150**	**859**

Fees generated from premium finance business outsourced to a third party are recognised in the month that the policy is financed. As a result, a provision for cancellation has been made in relation to the estimated clawback arising from future cancellations on unexpired financed policies at the balance sheet date.

On 8 May 2015 Brightside Insurance Services Limited and Southern Rock Group agreed a settlement to all claims following a dispute in a number of areas that commenced in May 2014. The exact terms of the settlement are confidential but includes the dismissal of all claims and counterclaims between the Company and Southern Rock Group. All liabilities under this agreement were extinguished during 2016.

The onerous contract provision at 31 December 2016 comprises obligations due under a number of historical agreements in relation to lead generation contracts that supported the Group's broking activities.

Since 2012 Group Direct Marketing Limited, a fellow group undertaking and member of the Group VAT registration, was in dispute with HM Revenue and Customs regarding the VAT treatment of certain supplies made by that Company. The matter was concluded in March 2016 when Group Direct Marketing Ltd agreed the offer and made a payment of £416k, including interest, to HM Revenue and Customs.

A decision was made to terminate the Asda affinity agreement with effect from October 2015. The contract with ASDA included a minimum income guarantee. The contractual obligations under the contract were fulfilled during 2016 and no further provision is required going forward.

The restructuring provision is in relation to on-going changes within the Group as the workforce is reshaped and aligned with the Group's strategic direction. A restructuring exercise took place during 2016 as a result the restructuring provision was utilised in full during the period.

Group Direct Marketing Limited released its provision held in relation to Lysander House during 2016 as it successfully negotiated a second sub-lease with Rock Services Limited. The sublease runs co-terminously with the head lease until March 2017. The remaining balance from Lysander relates to a rental incentive provision which will be released in the first quarter of 2017.

The provision for dilapidations was re-assessed at 31 December 2016 and the liability reduced accordingly.

21 Deferred tax

Consolidated	2016 £000	2015 £000
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	**3,525**	278
Deferred tax asset to be recovered within 12 months	**-**	515
At 31 December	**3,525**	793

The balance of Deferred tax at the balance sheet date relates to the following matters:

Consolidated	Accelerated Tax Depreciation £000	Unutilised historic trading losses £000	Trading losses arising in the year £000	Adjustments on the tax on the opening balances £000	Prior year adjustment £000	**Total £000**
At 1 January 2015	292	351	1,751	-	-	**2,394**
Losses arising in 2015	-	562	(1,751)	-	1,189	**-**
Credited/(charged) to Statement of Profit and Loss and Other Comprehensive Income	(2)	(410)	-	-	(1,189)	**(1,601)**
At 31 December 2015	290	503	-	-	-	**793**
Losses arising in 2016	-	-	1,021	-	-	**1,021**
Credited/(charged) to Statement of Profit and Loss and Other Comprehensive Income	29	2,519	-	(44)	-	**2,504**
Balance at 31 December 2016	**319**	**3,022**	**1,021**	**(44)**	**-**	**4,318**

The unutilised historic trading losses were incurred by David & Co. Consultants Limited and Brightside Insurance Services Limited. Management forecasts are that these business will generate profits for the foreseeable future, and the asset will therefore be utilised against these profits in future years.

Losses incurred which have not been recognised for deferred tax at 31 December 2016 amounted to £24.8m (2015: £39.3m) and the value of the deferred tax asset which has not been recognised amounted to £4.2m (2015: £7.1m).

22 Share capital and premium

The issued share capital of the Company was as follows:

	2016 £000	2015 £000
Allotted, called up and fully paid		
3,209,110,817 (2015: 1,243,835,317) ordinary shares of £0.01 each	**32,091**	12,438

The movements in the issued share capital during the year and related Share premium were as follows:

	Shares (number)	Share capital £000	Share premium £000
As at 31 December 2015	1,243,835,317	12,438	36,868
Shares issued during the year (refer below)	1,965,275,500	19,653	-
As at 31 December 2016	3,209,110,817	32,091	36,868

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.

On 26 January 2016 the Company issued 860,000,000 ordinary shares at par for cash consideration to its immediate parent undertaking, Belvedere Bidco Limited. On the same date the Company issued a further 479,100,000 ordinary shares at par to Belvedere Bidco. Consideration for the shares was satisfied by set off of their respective obligations. In respect of Brightside, to pay in cash the loan amount outstanding and in respect of Bidco, to pay in cash the subscription amount.

On 23 March 2016 the Company issued a further 246,175,500 ordinary shares to Belvedere Bidco at par. The consideration for the issue of shares was received in cash.

On 25 May 2016 the Company issued a further 175,000,000 ordinary shares to Belvedere Bidco at par. The consideration for the issue of shares was received in cash.

On 23 June 2016 the Company issued a further 205,000,000 ordinary shares to Belvedere Bidco at par. The consideration for the issue of shares was received in cash.

Refer to note 28 for issue of share capital post year end.

23 Cash generated from/(used in) operations

	Consolidated		Company	
	2016 **£000**	2015 £000	**2016** **£000**	2015 £000
(Loss)/profit before income tax	**(5,494)**	(16,171)	**(2,851)**	(3,266)
Adjustments for:				
Depreciation	**429**	463	**-**	-
Amortisation of intangible assets	**2,418**	2,841	**-**	-
Impairment of intangible assets	**-**	6,408	**-**	2,154
Finance charges - net	**20**	40	**(34)**	262
Release from provisions	**-**	(5)	**-**	-
Changes in working capital				
Trade and other receivables	**(8,542)**	6,107	**(3,495)**	(14,992)
Trade and other payables	**707**	(5,377)	**7,797**	7,976
Increase in provisions	**(3,014)**	1,157	**-**	-
Cash generated from/(used in) operations	**(13,476)**	(4,537)	**1,417**	(7,866)

24 Commitments

Capital commitments

Group and Company

There were no capital commitments at 31 December 2016 (2015: nil) that were contracted for but not provided for in these financial statements.

Operating lease commitments

The Group leases various offices under non-cancellable operating lease agreements. The majority of lease agreements are renewable at the end of the lease period at market rate.

The Group also leases various plant and machinery under non-cancellable operating lease agreements. The amount of the lease charges within the Statement of Comprehensive income is shown in Note 5.

At 31 December 2016 the Group had annual commitments under non-cancellable operating leases as follows:

	2016		2015	
	Land & Buildings £000	**Other £000**	Land & Buildings £000	Other £000
In one year or less	**496**	**42**	532	114
Between one and five years	**1,572**	**-**	103	24
Total	**2,068**	**42**	635	138

25 Related party transactions

The following transactions were carried out with related parties:

	Consolidated		Company	
	2016 **£000**	2015 £000	**2016** **£000**	2015 £000
(a) Trading transactions:				
Entities controlled by key management				
Sales	-	-	-	-
Purchases	-	-	-	-
(b) Year end balances arising from trading transactions				
Receivables from related parties				
Group undertakings	-	-	**29,881**	26,329
Parent undertakings	**7,612**	5,162	**165**	90
	7,612	5,162	**30,046**	26,419
Payables to related parties				
Group undertakings	-	-	**31,705**	24,108
Parent undertakings	**22,379**	23,592	**3,665**	4,878
	22,379	23,592	**35,370**	28,986

Parent undertakings

Transactions between the Group and parent undertakings were as follows:

	Group		Company	
	2016 **£000**	2015 £000	**2016** **£000**	2015 £000
Payables due to Parent undertakings				
Belvedere Bidco Limited (note 18)	**22,199**	23,412	**3,665**	4,878
Belvedere Bidco Limited (note 17)	**140**	140	-	-
Belvedere Midco Limited (note 17)	**40**	40	-	-
	22,379	23,592	**3,665**	4,878
Receivables due from Parent undertakings				
Belvedere Bidco Limited (note 15)	**7,420**	5,072	-	-
Belvedere Midco Limited (note 15)	**98**	-	**75**	-
Belvedere Holdings (Guernsey) Limited	**94**	90	**90**	90
	7,612	5,162	**165**	90

The movements in balances with parent undertakings relates to treasury transactions.

26 Ultimate parent undertaking and controlling party

The ultimate parent undertaking is AnaCap Financial Partners II, LP, a partnership registered in Guernsey.

The largest group within which the consolidated financial statements of the Group are included is Belvedere Midco Limited, a company incorporated in the United Kingdom and registered in England and Wales whose registered address is Brightside Park, Severn Bridge, Aust, Bristol, BS35 4BL.

27 Contingent Liabilities

The Company has, together with the Company's immediate parent undertaking and fellow group undertakings, a continuing joint and several liability to HM Revenue and Customs under a group registration for VAT with the immediate parent undertaking and fellow group undertakings. At 31 December 2015 the liability due to HM Revenue and Customs under the group VAT registration was £118,623 (2015: £14,519).

28 Post balance sheet events

On 27 February 2017 the Company issued a further 125,000,000 ordinary shares to Belvedere Bidco at par. The consideration for the issue of shares was received in cash. In addition, on the same date, the Company issued a further 366,484,600 ordinary shares to Belvedere Bidco at par. The consideration for the issue was in exchange for the set off of loans owing to Belvedere Bidco.