Company number 05941335

Brightside Group Limited

Report and Financial Statements
for the year ended 31 December 2018

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Company information

Company registration number:	05941335
Registered office:	Brightside Park Severn Bridge Aust Bristol BS35 4BL
Directors:	Brendan McCafferty Richard Beaven Neil Macmillan Russell Bence Robert Massey
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 2018

Contents

Strategic Report
for the year ended 31 December 2018

The Directors present their Strategic Report for the year ended 31 December 2018.

Business Review and Future Developments

During 2018, the Group positioned itself well to deliver the Group's long term plan. Insurance broking activities continued to be core to the strategy of the group and delivered strong growth in policy count and revenue. This growth together with the activity throughout the year to launch the Managing General Agency ("MGA") in 2019 gives the Directors confidence in future success for the Group.

Total revenue for the year was £36.1m which is 17% down on 2017 revenues of £42.1m, largely as a result of the 2017 restructure of the medical reporting business. Revenue comprises £27.2m from insurance broking activities (2017: £25.4m), £8.2m from medical reporting (2017: £15.3m), and £0.7m of other ancillary revenues (2017: £1.4m).

Early 2019 saw the launch of Brightside's new MGA, Kitsune Associates Limited. The wholly owned subsidiary of the Group was incorporated in early 2017 and the build of the MGA platform continued throughout 2018. Capacity is being provided by Accredited, a reinsurer of good financial strength (A- rating), supported by a financially strong panel of reinsurers, and started writing motor insurance policies in January 2019. Accredited is regulated by the MFSA. The capacity provided to the MGA improves stability and product reach for Brightside's broking operations and has already offered modest incremental policy growth opportunities to the group through more competitive new business and renewal pricing. 2019 remains a year of development and controlled growth for Kitsune that sets the platform for future scaling of the operation.

During May 2019 an announcement was made relating to the future of the Injury QED business. The market landscape for businesses such as Injury QED has been changing rapidly over the past few years. There have been a number of significant impacts to the business; including the changing regulatory impact in relation to whiplash claims, the ability of law firms to compete in a very crowded market and the cost to firms such as Injury QED to compete effectively. As a result, the Injury QED business has made the decision to no longer accept new business instructions from 1st June 2019. Cases that are in progress before this date will still continue to be worked through to completion.

Performance Review and Key Performance Indicators

The performance of the Group is considered by reference to each of the principal activities of each trading entity as described below. The Directors use the key measure of operating profit before charges for depreciation, amortisation, impairment and reorganisation expenses ("Adjusted 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. The Adjusted EBITDA for 2018 was £5.6m (2017: £5.1m) reflecting the underlying profitability of the activities of the Group.

Insurance broking

Brightside Insurance Services Limited ("BISL") is a wholly owned subsidiary and regulated entity that undertakes the insurance broking activity for the Group.

The company saw growth in 2018, with gross written premium ("GWP") exceeding £106m in 2018 (2017: £99m). This has largely been derived from improvements to the panel for private car insurance, under the Brightside Car brand. As a result, new business sales increased this year to 42,000 from 39,000 in 2017. Retention rates also increased to 71% in the year (61% in 2017). These improvements have seen policy in force volumes exceed 50,000 policies (43,000 in 2017).

Brightside Van continues to make strong headway with the book increasing to 12,000 (8,000 in 2017) and Commercial Vehicle Direct performed well with retention rates growing from 71% in 2017 to 75% in 2018.

Southampton continues to do well with its wastage contracts leading to 11,000 new business sales, increasing from 10,000 in 2017. Continuing focus has also helped to increase the renewal rate of the book to 73% in the year (2017: 71%).

Torquay has performed well with particular progress in non-standard home moving overall sales to 20,000 up from 18,000 in 2017.

Medical reporting

The move from a Tier 1 to Tier 2 Medco firm meant that 2018 saw a significant reduction in the levels of new business instructions. As a result, revenue fell by c.50% compared to the prior year. The operation streamlined its operation in light of the levels of new business. Process efficiency improvements together with natural attrition led to an overall decrease in the heads required to undertake the function. The total number of sales and administration staff fell from 112 people to 63 at the end of 2018.

As noted in the business review above, Injury QED will cease new business instructions during 2019. The Company expects to continue to right-size itself during 2019 and will seek to maximise cash collections from its contract assets held at 31 December 2018.

Overall performance

The Directors consider Adjusted EBITDA as agreed and reported to key stakeholders to be the key performance indicator used to measure profitability. A reconciliation of Loss before tax to Adjusted EBITDA is set out below:

	2018 £000	2017 £000
Loss before tax	**(10,318)**	**(10,209)**
Depreciation/amortisation/net interest (notes 12, 13 and 10)	4,287	4,064
Impairment charge (note 13)	7,286	2,307
Reorganisation and restructuring costs (note 6)	2,887	6,234
MGA set up costs (as explained above in the Business review and future developments)	1,433	1,429
Amortisation of contract acquisition costs relating to prior years capitalised as part of adoption of IFRS 15 *see footnote 1*	-	433
Adjustment to revenue *see footnote 2*	-	815
Adjusted EBITDA	**5,575**	**5,073**

1- Due to IFRS 15 being adopted using the cumulative effect method an adjustment was made for the amortisation of contract acquisition costs charged in 2017 of £0.4m which had already been charged as an expense in prior periods.

2- Revenue was £0.815m in 2017 to measure revenue on the basis applied in internal management reporting in the year. This was the same basis as was applied in the previously published 2016 financial statements (corrected by prior period adjustment in the 2017 financial statements).

The Adjusted EBITDA of the Group was £5.6m (2017: £5.1m).

Financial Risk Management Objectives and Policies

The Group's activities expose it to a variety of financial risks, including liquidity 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 £6.2m (2017: £5.7m), contract acquisition costs of £2.3m (2017: £1.6m), contract assets of £17.1m (2017: £19.5m), trade and other receivables of £18.1m (2017: £14.6m) and total liabilities of £39.0m (2017: £40.4m).

The Group's major liquidity risk arises in Injury QED. Contract assets arising from the Medical reporting business of £17.1m at 31 December 2018 (2017: £19.5m) represents the best estimate of amounts that will be recoverable once the underlying legal cases have been settled. A significant proportion of these balances are likely to be recovered in more than one year as set out in note 16. This gives rise to an extended working capital cycle. The Company manages its relationships with its experts in order to obtain favourable credit terms. The Company also manages this risk through contractual terms with its panel of solicitors e.g. backstop terms whereby amounts become due and payable at the earlier of case settlement or 24 months. The Company closely monitors cash flow using forecasting techniques and cash collection curves to ensure that all obligations can be met as they fall due. The business has ceased to write new business instructions in 2019 and this will reduce the working capital requirement going forward.

Trade and other receivables in relation to insurance transactions were £0.9m at 31 December 2018 (2017: £0.6m). Amounts due from policyholders are realised at the point of sale or within 30 days of the transaction for those customers who choose to pay by instalment through the Groups' premium finance provider.

The Group's non-derivative financial liabilities are analysed into Borrowings and Trade and other payables. The maturity profile of the borrowings of £18.5m at the 31 December 2018 (2017: £18.5m) is shown in note 20 to the financial statements.

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 2018 were £19.3m (2017: £20.1m) 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 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 £18.1m (2017: £14.6 m). Of this amount, £0.9m (2017: £0.6m) related to amounts due in respect of broking business roughly equating to one month's income. Remaining balances of £17.2m (2017: £14.0m) relates to trade receivables, prepayments, accrued income and amounts due from parent undertakings.

Balances due from broking operations 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.

Financial liabilities

Financial liabilities include bank borrowings and other loans as described in note 19 to the financial statements. The weighted average interest paid on the bank borrowings during the year ended 31 December 2018 was nil (2017: nil).

Financial assets

The Group does not hold any fixed rate financial assets (2017: nil).

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 or 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 21% in 2018 (2017: negative return of 20%).

The gearing ratio (calculated as total borrowings over total equity) of the Group increased during the year from 36% at 31 December 2017 to 39% at 31 December 2018.

Group Operational Risks

Broking Insurer security

The failure of a material insurer can impact an insurance broker from two main perspectives. Firstly and critically, if the concentration of business placed with that insurer is high, replacing that volume will lead to an impact on revenue. Secondly, the failure of an insurer can result in a large number of cancellations. In this instance, policyholders, especially those who have paid in full, can look for compensation in the event that the Financial Services Compensation Scheme does not fully meet the cost to the customer. These risks are monitored by the Group's Insurer Security Committee.

Brexit

The UK's decision to leave the European Union on 23 June 2016 has resulted in significant economic uncertainty. The key implications for the Group's customers in the event of 'No-Deal' are: (i) Broking - continuity of service from insurers whose capacity is based within the EU; (ii) MGA – continuity of capacity provision based in Malta; and (iii) Group – ensuring policyholders are able to drive within the EU (via the provision of green cards).

The Financial Conduct Authority (FCA) notification window for the temporary permissions regime opened on 7 January 2019. All EU based capacity had submitted an application to the Temporary Permissions Regime prior to 29 March. Given the fact that the Brexit date has been delayed, and all insurers have applied to the TPR, the risk of loss of continuity of service from EU based capacity is considered to be low.

The MGA's capacity provider has confirmed that the FCA/ PRA have been notified of intention to take advantage of the Temporary Permissions Regime. A Freedom of Establishment Branch has received regulatory approval and an EEA – authorised UK branch of an overseas firm is now in place. The next stage will be to convert the Freedom of Establishment Branch into a Third Country Branch which would give AIEL's UK branch the ability to underwrite UK business and settle UK claims in its own right, i.e. not dependent on the Temporary Permissions Regime.

A Green Card issuance process went live in March 2019, ahead of the original Brexit date. All policyholders were contacted via email/ SMS and advised of the process in place depending upon their insurance brand (Brightside, CVD, OIS etc.). Responsibility for generation of the green card rests with the insurer, and there were varying processes implemented by insurer, with the result that in some instances Brightside would receive a soft copy green card from the insurer which was printed on green paper and posted, and in other cases the insurer printed and posted directly to the policyholder. Customers were not charged for a green card. Communications have been updated to advise policyholders that they should only request a green card if they plan to drive their vehicle in the EU on or after 31 October 2019.

Regulatory risk

Brightside Insurance Services Limited is regulated by the Financial Conduct Authority. Brightside Insurance Services Limited 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 financial position along with reputation. Regulatory risk is managed through a continuing executive oversight, operational compliance and the traditional first, second and third line of defence.

Injury QED's business is regulated by MedCo. MedCo is a system to facilitate the sourcing of Medical Reports in soft tissue injury claims brought under the Ministry of Justice's Pre-Action Protocol for Low Value Personal Injury Claims in Road Traffic Accidents. Injury QED held Tier 1 status until November 2017. As a Tier 2 firm, the number of instructions has declined significantly during 2018. Furthermore, the business has taken the decision to cease new business instructions with effect from 1 June 2019 and have removed themselves from the Medco portal.

Client concentration

The concentration risk associated with Injury QED's panel of solicitors was historically considered by management to be a key risk to the business. Injury QED's Top 5 solicitors accounted for c.78% of its revenue in 2018. From 1 June 2019, no new business instructions will be taken on but Injury QED will continue to work existing cases on behalf of its existing panel of solicitors. Injury QED's primary focus will be on maximising cash recoveries from legacy cases with all of its solicitors with which balances are held.

The concentration risk relating to broking activities is considered above as part of the broking insurer security risk.

Strategic Report
for the year ended 31 December 2018

Litigation

The Group considers its key risk of litigation to be errors and omissions when placing a customer's insurance policy. Professional indemnity insurance is held by the business to limit the Group's exposure to future claims. The sums insured and excesses within the policy is in line with industry standards and the requirements of the Financial Conduct Authority.

Approved by the Board on 7 August 2019 and signed on its behalf by:

Brendan McCafferty
Director

Date: 13 August 2019

Directors Report
for the year ended 31 December 2018

The Directors submit their report and the audited Financial Statements for the year ended 31 December 2018.

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 (2017: £nil).

Directors

The Directors who served during the year were as follows:

Executive Directors	
Mark Cliff	(resigned 18 August 2018)
Ian Sutherland	(resigned 29 April 2019)
Russell Bence	
David Sweeney	(resigned 31 December 2018)
Brendan McCafferty	(appointed 20 August 2018)
Richard Beaven	(appointed 10 May 2019)
Non-executive Directors	
Mark Cliff	(resigned 3 May 2019)
Edward Green	(resigned 2 May 2019
Neil Macmillan	
Robert Massey	(appointed 3 July 2018)

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.

Anti-Corruption & Anti-Bribery matters

The Group takes this matter very seriously and operates a central record of all Gifts and Hospitality to promote an open and honest review of all third party relationships. All employees are also required to complete ilearn training courses to ensure that the entire workforce is familiar with the groups policies regarding these matters.

Environmental matters

The Group continues to make steps to actively reduce its carbon footprint. During the year, the use and implementation of LED lighting has been extended to more of our Aust office and eco-friendly cleaning products are now utilised by our cleaning team. The Air Handling Units continue to be time restricted for use only in operational hours and we continue to use energy efficient vending machines.

The Group also recycles 100% of its cardboard wastage and all confidential waste. Within our Southampton offices, facilities have successfully been introduced to allow mixed recycling of paper, plastic and other products to our employees and following a recent change in the waste providers, our Aust office will also provide mixed recycling due to commence in 2019.

Directors Report
for the year ended 31 December 2018

Political and Charitable Donations

No political donations were made by the Group during the year (2017: nil). Previously the Group oversaw the charitable donations from its employees through the 'Brightside Helps' scheme. However, this year the group has decided to promote and support staff organised charitable events instead, such as for Save the Children, Children in Need, Comic Relief and the Macmillan Cake mornings. Easter Egg collections for local Children's hospices and Christmas food bank and clothing collections are also arranged by each of our offices.

Community work

A number of the Group's employees work with local schools, running career and interviewing events and our Torquay office holds a working relationship with a local company which liaises with the Torbay Council promoting business within the local area.

One of the Groups offices also supports a small local business by inviting them onsite to offer our staff car valeting during business hours.

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 these 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. Furthermore, the refinancing of the parent undertaking of the Group during 2019 has mitigated the risk of failure to meet historical financial covenants.

In addition the Directors have received confirmation from the board of it's parent undertaking - 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 20 within 12 months of the date of approval of these financial statements.

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 7 August 2019 and signed on its behalf by:

Brendan McCafferty
Director
Brightside Park
Severn Bridge
Aust
Bristol
BS35 4BL

Date: 13 August 2019

Statement of Directors' Responsibilities
for the year ended 31 December 2018

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 International Financial Reporting Standards as adopted by the European Union (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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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

Opinion

We have audited the financial statements of Brightside Group Limited ("the company") for the year ended 31 December 2018 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated and Company Statement of Financial Position, Consolidated Statement of Changes in Shareholder's Equity, Company Statement of Changes in Shareholder's Equity, Consolidated and Company Statements of Cash Flow and related notes, including the accounting policies in note 2.

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 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of goodwill and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; 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

Under the Companies Act 2006, we are required 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 11, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Peter Lomax

Peter Lomax (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE
19 August 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2018

		Consolidated	
	Note	**2018** **£000**	2017 £000
Revenue	4	**36,059**	42,170
Cost of sales		**(9,896)**	(14,337)
Gross profit		**26,163**	27,833
Administrative expenses	5	**(36,399)**	(38,000)
Operating loss		**(10,236)**	(10,167)
Finance costs (net)	10	**(82)**	(42)
Loss before income tax		**(10,318)**	(10,209)
Income tax (charge)/credit	11	**(1,213)**	565
Loss for the year		**(11,531)**	(9,644)
Other comprehensive income		-	-
Total comprehensive income		**(11,531)**	(9,644)
Attributable to:			
The shareholder		**(11,531)**	(9,644)

The notes on pages 19 to 45 are an integral part of these consolidated financial statements.

Consolidated and Company Statement of Financial Position
for the year ended 31 December 2018

		Consolidated		Company	
	Note	**31 December 2018 £000**	31 December 2017 £000	**31 December 2018 £000**	31 December 2017 £000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**4,080**	4,156	-	-
Intangible assets	13	**33,140**	40,741	**27,581**	27,581
Investment in subsidiaries	14	-	-	**99,445**	100,130
Contract acquisition costs	15	**2,319**	1,560	-	-
Contract assets	16	**8,606**	7,956	-	-
Deferred tax asset	23	**4,747**	6,048	-	-
Total non-current assets		**52,892**	60,461	**127,026**	127,711
Current assets					
Contract assets	16	**8,526**	11,551	-	-
Trade and other receivables	17	**18,085**	14,638	**196**	196
Cash and cash equivalents	18	**6,223**	5,727	-	-
Total current assets		**32,834**	31,916	**196**	196
TOTAL ASSETS		**85,726**	92,377	**127,222**	127,907
EQUITY AND LIABILITIES					
Capital and reserves attributable to the shareholder					
Share capital	24	**48,006**	42,191	**48,006**	42,191
Share premium	24	**36,868**	36,868	**36,868**	36,868
Reverse acquisition reserve		**2,530**	2,530	**56,250**	56,250
Retained earnings		**(41,093)**	(29,562)	**(29,567)**	(22,454)
Total equity		**46,311**	52,027	**111,557**	112,855
Current liabilities					
Trade and other payables	19	**19,258**	20,051	**15,665**	15,052
Provisions for other liabilities and charges	22	**661**	1,148	-	-
Finance lease liabilities	25	**220**	128	-	-
Borrowings	20	**18,534**	18,534	-	-
Total current liabilities		**38,673**	39,861	**15,665**	15,052
Non current liabilities					
Finance lease liabilities	25	**371**	489	-	-
Deferred income		**371**	-	-	-
Total non current liabilities		**742**	489	-	-
TOTAL EQUITY AND LIABILITIES		**85,726**	92,377	**127,222**	127,907

The notes on pages 19 to 45 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 7 August 2019 and were authorised for issue on its behalf by:

Brendan McCafferty
Director
13 August 2019

Consolidated Statement of Changes in Shareholder's Equity
for the year ended 31 December 2018

	Share capital £000	Share Premium £000	Reverse Acquisition Reserve £000	Retained Earnings £000	Total £000
Equity as at 1 January 2017 (restated)	**32,091**	**36,868**	**2,530**	**(19,918)**	**51,571**
Comprehensive income					
Loss for the year to 31 December 2017	-	-	-	(9,644)	(9,644)
Total comprehensive income for the year	-	-	-	(9,644)	(9,644)
Transactions with the owners					
Issue of shares	10,100	-	-	-	10,100
Total transactions with shareholder	10,100	-	-	-	10,100
Equity as at 31 December 2017	**42,191**	**36,868**	**2,530**	**(29,562)**	**52,027**
Comprehensive income					
Loss for the year to 31 December 2018	-	-	-	(11,531)	(11,531)
Total comprehensive income for the year	-	-	-	(11,531)	(11,531)
Transactions with the owners					
Issue of shares (note 24)	5,815	-	-	-	5,815
Total transactions with shareholder	5,815	-	-		5,815
Equity as at 31 December 2018	**48,006**	**36,868**	**2,530**	**(41,093)**	**46,311**

The notes on pages 19 to 45 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 or Loss and Other Comprehensive Income for the years ended 31 December 2018 and 2017.

The reverse acquisition reserve was created in 2008 following the reverse take over 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 2018

	Attributable to the shareholder				
	Share capital £000	Share Premium £000	Reverse Acquisition Reserve £000	Retained Earnings £000	Total £000
Equity as at 1 January 2017	**32,091**	**36,868**	**56,250**	**(8,948)**	**116,261**
Comprehensive Income					
Loss for the year to 31 December 2017	-	-	-	(13,506)	(13,506)
Total comprehensive income for the year	-	-	-	(13,506)	(13,506)
Transactions with the owners					
Shares issued	10,100	-	-	-	10,100
Total transactions with the shareholder	10,100	-	-	-	10,100
Equity as at 31 December 2017	**42,191**	**36,868**	**56,250**	**(22,454)**	**112,855**
Comprehensive Income					
Loss for the year to 31 December 2018	-	-	-	(7,113)	(7,113)
Total comprehensive income for the year	-	-	-	(7,113)	(7,113)
Transactions with the owners					
Shares issued (note 24)	5,815	-	-	-	5,815
Total transactions with the shareholder	5,815	-	-	-	5,815
Equity as at 31 December 2018	**48,006**	**36,868**	**56,250**	**(29,567)**	**111,557**

The notes on pages 19 to 45 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 2018 and 2017.

The reverse acquisition reserve was created in 2008 following the reverse take over 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 2018

		Consolidated		Company	
	Note	**2018 £000**	2017 £000	**2018 £000**	2017 £000
Cash flows from operating activities					
Cash generated from operations	26	**1,971**	1,216	-	-
Income tax received/(paid)		**89**	-	-	-
Net cash (used in)/generated from operating activities		**2,060**	1,216	-	-
Cash flows from investing activities:					
Payments to acquire property, plant and equipment		**(610)**	(1,104)	-	-
Payments to acquire intangible assets		**(3,204)**	(2,585)	-	-
Investment in subsidiary company		-	-	**(5,815)**	(3,735)
Net cash flows used in investing activities		**(3,814)**	(3,689)	**(5,815)**	(3,735)
Cash flows from financing activities:					
Issue of share capital	24	**5,815**	3,735	**5,815**	3,735
Amounts paid on behalf of parent undertakings		**(3,483)**	(3,708)	-	-
Loans received from parent undertakings		-	2,700	-	-
Interest (paid)/received		**(82)**	(42)	-	-
Net cash flows generated from financing activities		**2,250**	2,685	**5,815**	3,735
Net (decrease)/increase in cash and cash equivalents		**496**	212	-	-
Cash and cash equivalents at beginning of year		**5,727**	5,515	-	-
Cash and cash equivalents at end of year		**6,223**	5,727	-	-

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 and medical reporting agency. The principal activity of the Company is that of a holding company.

Brightside Group Limited is a private company limited by shares. The address of its registered office is Brightside Park, Severn Bridge, Aust, Bristol, BS35 4BL.

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 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.

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 2018. None of the amendments to standards listed below had an impact on the Company except for IFRS 15 "Revenue from Contracts with Customers".

The standards, amendments and interpretations which became effective in 2018 (unless otherwise stated) were:

- IFRS 15 "Revenue from Contracts with Customers" (effective date 1 January 2018) - This was early adopted in 2017
- IFRS 9 "Financial Instruments" (effective date 1 January 2018)
- IAS 40 "Investment Property" – Amendments to standard (effective date 1 January 2018)
- "Annual Improvements to IFRSs 2012-2014 Cycle" (effective date 1 January 2018)

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 2019 or later periods but which the Company has not early adopted:

- IFRS 16 "Leases" (effective date 1 January 2019)
- "Annual Improvements to IFRSs 2015-2017 Cycle" (effective date 1 January 2019)
- IFRS 17 "Insurance Contracts" (effective date 1 January 2021).

IFRS 16 will have a significant impact on the way the Group's property leases will be accounted for from 1 January 2019. Currently operating lease payments are presented within operating expenses; under IFRS 16 the lease payments are replaced with depreciation and interest expense. A right-of-use asset will be recognised and corresponding lease liability in the statement of financial position.

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 £7.1m (2017: loss of £13.5m) after the inclusion of Reorganisation expenses of £1.5m (2017: £2.9m) and impairment of subsidiary undertakings of £6.5m (2017: £4.3m).

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.

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.

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 the Group have sufficient funds for the foreseeable future (being at least 12 months from the date of signing these financial statements) to meet its liabilities as and when they fall due. A review of the annual budget and financial forecasts were used as the basis for reaching this conclusion.

In addition the directors have received confirmation from the board of its parent undertaking 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 20 for at least the next 12 months of the date of approval of these financial statements.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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:

Land	not subject to depreciation
Freehold property (building)	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

Improvements to the building which are held under the freehold property category are depreciated in line with fixtures and fittings.

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 Profit or Loss and Other Comprehensive Income. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful economic lives.

Intangible assets comprise; Computer software, which is not an integral part of the related hardware and books of business acquired. 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.

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 Profit or Loss and Other 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) Contract acquisition costs

Incremental costs associated with obtaining an insurance contract are recognised as an asset where the Group expects to recover these costs against future revenue streams. The Group's incremental costs include amounts paid to third party aggregator sites and brand payaways to affinity partners upon the successful acquisition of a contract. These incremental costs do not include amounts that would have been paid regardless of outcome. The contract acquisition costs are amortised in line with the persistency of the underlying renewal book, which is currently estimated to be over a 5 year period. The asset is reviewed for impairment on an annual basis and adjusted for any changes to persistency.

viii) Contract assets

A contract asset is recognised at the point that the Company delivers and completes its services. The contract asset is recognised at its expected value; being the estimate of the amount likely to be received in light of the range of possible outcomes of the specific court case. The contract asset is adjusted in light of further information as it becomes available with any change being recognised through revenue in the period in which the updated information becomes available. The contract asset is converted to a trade receivable as and when confirmation of the amount due and payable is confirmed.

ix) Investment in subsidiary undertakings

Investment in Subsidiaries are valued at cost less any provision for impairment.

x) 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.

xi) 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.

Contract assets and contract acquisitions costs are recognised at fair value and adjusted when further information becomes available with any change being recognised through the Statement of Profit or Loss and Other Comprehensive Income in the period in which the updated information becomes available.

Investments not carried at fair value through the Statement of Profit or Loss and Other Comprehensive Income are initially recognised at fair value. Financial assets carried at fair value through the Statement of Profit or Loss and Other Comprehensive Income are initially recognised at fair value, and transaction costs are expensed in the Statement of Profit or Loss and Other 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 £27.5m.

xii) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period using an "expected credit loss" impairment model.

Contract assets with extended credit terms are assessed for impairment based on the lifetime expected credit loss; this is defined as all expected credit losses that result from all possible default events over the expected life of a financial instrument.

Contract assets will be grouped into categories of shared credit risk characteristics and assessed for future default events which could lead to expected credit losses.

Trade receivables comprises mainly of amounts due from insurance transactions. Whilst policy holders may elect to use premium finance and pay annual premiums on instalment, these arrangements transfer to the groups premium finance partner Close Brothers. Close Brothers settle premiums to the Company within 30 days of the transaction date.

Trade receivables at the 31 December 2018 do not have a significant financing component and as such, a provision matrix methodology is used to measure expected credit losses as set out in note 14.

All of the Company's insurance receivable balances are grouped together as their credit risk characteristics are considered to be the same. Historical loss rates are considered an appropriate basis for the estimate of expected future losses. However, anticipated changes in future economic conditions will lead to an adjustment to the provision matrix.

For financial assets carried at amortised cost, the amount of the impairment loss is the difference between the asset's carrying value and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate..

xiii) 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 insurance premium element of debtor and creditor balances is not recognised in the Company's balance sheet before cash has been received as it does not represent an asset (or liability) under IFRS. When cash in relation to the premium has been received, recognition at that point is made with a corresponding liability. The amounts of the debtors, cash and creditors relating to insurance broking are disclosed separately in notes 17, 18 and 19 respectively.

xiv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position 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.

xv) 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.

xvi) 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.

xvii) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

xviii) 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'.

xix) 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.

xx) 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.

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.

Mid-term adjustments are recognised as and when an additional premium or return premium is calculated. The pro-rata commission due and payable on a cancelled policy is offset by cancellation fees applied to the policy and hence both are recognised at the point of cancellation.

The Company principally generates revenue by providing medical reporting services (e.g. medical reports, physiotherapy and rehabilitation sessions) to solicitors to assist them with claimant's legal cases.

As the consideration to be received for these services is often dependent on the outcome of the underlying court case, revenue is assessed based on a "cohort" of similar claims, using historical data. Expected consideration is then adjusted for any current known events and to a level where a significant reversal of revenue is considered remote. Any subsequent adjustment to revenue is recognised in the period in which further information is received.

The expected consideration is allocated to each service provided, based on the observable price of each service and recognised at the point of delivery of the service.

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.

xxi) 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. Benefits are recognised as an expense when employees have rendered services entitling them to the contributions.

A liability is recognised for benefits accruing the employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

xxii) 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.

xxiii) Cash and cash equivalents

Cash and cash equivalents comprise all cash balances, cash held in office accounts and client accounts. At 31 December 2018, there is an amount of £20,000 held in Escrow as a requirement of Injury QED's Medco Tier 2 status.

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 2018 is £27.6m (2017: £27.6m), and for the Group is £27.6m (2017: £34.8m). The value of goodwill stated for the Company at December 2017 is stated after a charge for impairment in the year of £nil (2017:£nil) arising from the impairment test carried out at 31 December 2018, and for the Group was £7.3m (2017:£2.2) as shown in note 13.

Revenue recognition – Medical Reporting

The variability of the Company's revenue model means that the income received will often depend on the outcome of the underlying court case. The estimate of revenue considers the possible and probable outcome of cases together with the contractual arrangements in place with each of its solicitors. The estimate applied to revenue recognition results in the recognition of a contract asset which is then continually monitored and updated accordingly against case status, levels of write offs and credit notes along with cash collections.

Contract acquisition costs

The Group's incremental costs paid to third parties upon the successful acquisition of a contract are amortised in line with the persistency of the underlying renewal book currently estimated to be over a 5 year period. Persistency of the renewal book is estimated using the latest cancellation rate data and the prevailing renewal rates associated with the underlying book of business. The asset is reviewed for impairment on an annual basis and adjusted for any changes to expected persistency.

Trade and other receivables - broking

The Group had total trade and other receivables at the balance sheet date of £18.1m (2017: £14.6m). Of this amount £2.5m (2017: £1.0m) related to amounts due in respect of insurance transactions.

Provision has been made against insurance receivables of £1.6m (2017:£0.4m). 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.

Deferred tax asset

As at 31 December 2018, deferred tax asset balances in Brightside Insurance Services Limited and Injury QED Limited were £4.7m (2017: £4.4m) and £nil (2017: £1.7m) respectively. These assets resulted from historical trading losses and accelerated capital allowances. These losses can only be utilised against projected future profits. 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 2023. The deferred tax asset held by Injury QED in 2017 was released at 31 December 2018 following Injury QED's announcement to cease new business instructions with effect from 1 June 2019 as set out in note 31.

4 Revenue by nature

The breakdown of revenue by category is as follows:

	2018 **£000**	2017 £000
Insurance broking commission and fees	**20,410**	19,609
Premium finance income	**5,637**	4,989
Other insurance income	**1,103**	860
Income from insurance activities	**27,150**	25,458
Medical reporting	**8,188**	15,332
Other income	**721**	1,380
Total	**36,059**	42,170

5 Administrative expenses

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

	2018 **£000**	2017 £000
Depreciation charge (note 12)	**686**	692
Amortisation of intangible assets (note 13)	**3,519**	3,330
Employee benefit expense	**15,780**	17,525
Impairment (note 13)	**7,286**	2,307
Operating lease rentals - Land and Buildings	**435**	525
Operating lease rentals – Other	**29**	30
Auditor's remuneration (note 7)	**190**	191
Reorganisation expenses (note 6)	**2,887**	6,234

6 Reorganisation expenses

The operating (loss) 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:

	2018 **£000**	2017 £000
Costs and provisions	**2,887**	6,234
	2,887	6,234

The amount charged in relation to costs and provisions comprises provision for onerous contracts £0.1m (2017: £0.4m), provisions for IT contract costs £0.8m (2017: £1.3m), redundancy and reorganisation staff costs £0.8m (2017: £1.8m) and legal and other professional fees £1.2m (2017: £2.7m).

7 Auditor remuneration

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

	2018 £000	2017 £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	**120**	126
- Other services pursuant to legislation	**50**	45
Total	**190**	191

8 Employee benefit cost

	2018 £000	2017 £000
Wages and salaries	**14,187**	15,786
Social security costs	**1,304**	1,514
Pension costs	**289**	225
Total	**15,780**	17,525

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

	2018 Number	2017 Number
Directors	**6**	6
Sales and administration	**499**	595
Total	**505**	601

The directors shown above are those of Brightside Group Limited only. The Company has no employees other than those Directors detailed on page 9.

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:

	2018 £000	2017 £000
Salaries and fees	**1,421**	1,430
Benefits	**238**	176
Bonus	**134**	255
Compensation for loss of office	**157**	-
Total remuneration	**1,950**	1,861

During the year retirement benefits were accruing to 7 directors (2017: 7) in respect of defined contribution pension schemes, and no directors (2017: nil) received payments arising from the exercise of share options and the subsequent sale of the shares to Belvedere Holdings (Guernsey) Limited, a parent undertaking of the Company.

Mr Green and Mr Massey were Directors of the Company during the year but did not receive remuneration from the Company or from any subsidiary undertakings.

The highest paid director received remuneration of £461,000 (2017: £515,000). The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (2017: £nil).

10 Finance costs

	2018 £000	2017 £000
Other interest expense	**82**	42
Net finance costs	**82**	42

11 Income tax credit

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

	2018 £000	2017 £000
Current Tax		
Current tax on profits in period	-	-
Adjustments in respect of prior periods	**(89)**	-
	(89)	-
Deferred Tax (note 23)		
Origination and reversal of temporary differences	**(13)**	(92)
Tax losses carried forward	**(316)**	(473)
Movement on deferred tax asset	**1,631**	-
Income tax charge/(credit) for the year	**1,213**	(565)

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

	2018 £000	2017 £000
Loss before taxation	**(10,318)**	(10,209)
Loss on ordinary activities multiplied by the average standard rate of corporation taxation of 19% (2017: 19.25%)	**(1,960)**	(1,965)
Effects of:		
Amounts not deductible for tax purposes	**94**	46
Adjustments in respect of prior periods	**(89)**	-
Difference between corporation tax and deferred tax rate	**3,168**	-
Income tax charge/(credit) for the year	**1,213**	(565)

The Finance Act 2013 reduced the main rate of corporation tax to 19% from 1 April 2017. Accordingly, the Group's profits for year to 31 December 2018 are taxed at a rate of 19% (year to 31 December 2017 - effective rate 19.25%).

Please note that from 1 April 2017 the main rate of corporation tax was reduced to 19%. A further reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. Any deferred tax at 31 December 2018 has been calculated based on the rate of 17% being the rate substantively enacted at the balance sheet date.

12 Property, plant and equipment

	Consolidated - 2018			
	Freehold property £000	Fixtures, fittings and equipment £000	Computer hardware £000	Total £000
Cost				
Balance at 1 January 2018	3,101	1,476	2,958	7,535
Additions	-	27	583	610
Transfers	-	(423)	-	(423)
Balance at 31 December 2018	**3,101**	**1,080**	**3,541**	**7,722**
Depreciation and impairment losses				
Balance at 1 January 2018	(282)	(1,136)	(1,961)	(3,379)
Depreciation	(72)	(109)	(505)	(686)
Transfers	-	423	-	423
Balance at 31 December 2018	**(354)**	**(822)**	**(2,466)**	**(3,642)**
Net book value				
At 1 January 2018	2,819	340	997	4,156
At 31 December 2018	**2,747**	**258**	**1,075**	**4,080**

The net book value of computer hardware held under finance leases is £268k.

	Consolidated - 2017			
	Freehold property £000	Fixtures, fittings and equipment £000	Computer hardware £000	Total £000
Cost				
Balance at 1 January 2017	3,101	1,204	1,471	5,776
Additions	-	212	892	1,104
Transfers from intangibles	-	81	595	676
Write offs/assets no longer in use	-	(21)	-	(21)
Balance at 31 December 2017	**3,101**	**1,476**	**2,958**	**7,535**
Depreciation and impairment losses				
Balance at 1 January 2017	(211)	(984)	(1,264)	(2,459)
Depreciation	(71)	(173)	(448)	(692)
Transfers from intangibles	-	-	(249)	(249)
Write offs/assets no longer in use	-	21	-	21
Balance at 31 December 2017	**(282)**	**(1,136)**	**(1,961)**	**(3,379)**
Net book value				
At 1 January 2017	2,890	220	207	3,317
At 31 December 2017	**2,819**	**340**	**997**	**4,156**

The depreciation charge for 2018 and 2017 has been included within Administrative expenses in the Consolidated Statement of Profit or 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 - 2018				
	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 2018	45,621	20,721	16,123	726	83,191
Additions	-	-	1,116	2,088	3,204
Transfers	-	-	842	(842)	-
Balance at 31 December 2018	**45,621**	**20,721**	**18,081**	**1,972**	**86,395**
Amortisation and impairment losses					
Opening balance as at 1 January 2018	(10,754)	(20,721)	(10,975)	-	(42,450)
Amortisation	-	-	(3,519)	-	(3,519)
Impairment	(7,286)	-	-	-	(7,286)
Balance at 31 December 2018	**(18,040)**	**(20,721)**	**(14,494)**	**-**	**(53,255)**
Net book amount at 31 December 2018	**27,581**	**-**	**3,587**	**1,972**	**33,140**

The net book value of computer software held under finance leases is £256k. Assets in course of construction comprises capitalised staff costs and external implementation costs in relation to various software projects. Impairment relates to the carrying value of goodwill relating to the Brightside Group business exceeding its recoverable amount.

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

	Consolidated - 2017				
	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 2017	45,621	20,721	40,280	320	106,942
Additions	-	-	978	1,607	2,585
Transfers to PPE (note 12)	-	-	524	(1,201)	(677)
Write offs/assets no longer in use	-	-	(25,659)	-	(25,659)
Balance at 31 December 2017	**45,621**	**20,721**	**16,123**	**726**	**83,191**
Amortisation and impairment losses					
Opening balance as at 1 January 2017	(8,598)	(20,721)	(33,402)	-	(62,721)
Amortisation	-	-	(3,330)	-	(3,330)
Impairment	(2,156)	-	(151)	-	(2,307)
Transfers to PPE (note 12)	-	-	249	-	249
Write offs/assets no longer in use	-	-	25,659	-	25,659
Balance at 31 December 2017	**(10,754)**	**(20,721)**	**(10,975)**	**-**	**(42,450)**
Net book amount at 31 December 2017	**34,867**	**-**	**5,148**	**726**	**40,741**

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

	Company – 2018				
	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 2018	33,156	6,068	-	-	39,224
Balance at 31 December 2018	**33,156**	**6,068**	-	-	**39,224**
Amortisation and impairment losses					
Opening balance as at 1 January 2018	(5,575)	(6,068)	-	-	(11,643)
Amortisation	-	-	-	-	-
Impairment	-	-	-	-	-
Balance at 31 December 2018	(5,575)	(6,068)	-	-	(11,643)
Net book amount at 31 December 2018	**27,581**	-	-	-	**27,581**

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

	Company - 2017				
	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 2017	33,156	6,068	-	-	39,224
Balance at 31 December 2017	**33,156**	**6,068**	-	-	**39,224**
Amortisation and impairment losses					
Opening balance as at 1 January 2017	(5,575)	(6,068)	-	-	(11,643)
Amortisation	-	-	-	-	-
Impairment	-	-	-	-	-
Balance at 31 December 2017	(5,575)	(6,068)	-	-	(11,643)
Net book amount at 31 December 2017	**27,581**	-	-	-	**27,581**

The amortisation and impairment charge is included within Administrative expenses shown in the Consolidated Statement of Profit or 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 2017 and 2018 for each cash generating unit was as follows:

	Consolidated				
	2017	2017	2017	**2018**	**2018**
	£000	£000	£000	**£000**	**£000**
	Cost	Impairment	NBV	**Impairment**	**NBV**
Taxi, OBIS and M&H business	2,203	-	2,203	-	**2,203**
eBike business	2,037	-	2,037	-	**2,037**
eCar business	23,341	-	23,341	-	**23,341**
Brightside Group business	2,610	(495)	2,115	**(2,115)**	-
IQED business	5,171	-	5,171	**(5,171)**	-
Quote Exchange business	1,661	(1,661)	-	-	-
Total	37,023	(2,156)	34,867	**(7,286)**	**27,581**

The total Group impairment at 31 December 2018 was £7.3m (2017: £2.2m) following the impairment review carried out as at 31 December 2018. The impairment charge relates to the Brightside Group business (£2.1m) and the IQED business (£5.2m) which is based on the future cash flows of both businesses.

The recoverable amount of Goodwill calculated at 31 December 2018 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 2023 together with the addition of a terminal value of 2% growth rate as per the Bank of England's long term forecast.

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 pre-tax discount rate of 11.6% (2017: 11.6%) has been applied to all cash flow projections.

From the annual impairment review of the goodwill balances relating to Taxi, OBIS and M&H business and eBike business no reasonably possible changes in key assumptions were identified which would result in the goodwill balance exceeding the recoverable amount.

For the eCar business, which represents 85% of the consolidated net book amount of goodwill at 31 December 2018, an increase in the discount rate from 11.6% to a revised assumption of 13% would cause the recoverable amount to fall by £1.9m but still remain above the carrying value. A reduction in expected net income by up to 10% has no impact on the carrying amount either.

For all other cash generating units, a revised assumption of 13% would cause the recoverable amount to fall by £7.9m which would not lead to any further impairment.

The net book value of Goodwill in the Statement of Financial Position of the Company at 31 December 2017 and 2018 for each cash generating unit was as follows:

	Company				
	2017 £000 Cost	2017 £000 Impairment	2017 £000 NBV	**2018 £000 Impairment**	**2018 £000 NBV**
Taxi, OBIS and M&H business	2,203	-	2,203	-	**2,203**
eBike business	2,037	-	2,037	-	**2,037**
eCar business	23,341	-	23,341	-	**23,341**
Total	27,581	-	27,581	-	**27,581**

No impairment charge was required in 2018 following the impairment test (2017: £nil).

14 Investments in subsidiary undertakings

Company

	2018 £000	2017 £000
Shares in Group undertakings		
At 1 January	**100,130**	94,334
Addition	**5,815**	10,100
Impairment	**(6,500)**	(4,304)
At 31 December 18	**99,445**	100,130

On 16 July 2018 Brightside Group Limited subscribed for 915,000 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 4,445,000 shares in exchange for set-off of an equal loan amount owed.

On 12 October 2018 Brightside Group Limited subscribed for a further 455,000 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 impairment of £6.5m relates to investments held by the Company in Injury QED Limited, this balance has been fully impaired following uncertainty over the future of IQED's panel of solicitors. The impairment during 2017 relates to the historical cost of investments held in the Company in relation to Panacea Finance Limited (£0.1m) and Quote Exchange Limited (c.£4.2m).

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

Direct Subsidiary Undertakings	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
Kitsune Associates Limited	10561229	Ordinary	100%	Managing General Agent

All the Group companies are registered in England and Wales. The registered office for all of the above Group companies is Brightside Park, Severn Bridge, Aust, BS35 4BL.

All of these companies were 100% subsidiaries of the Group throughout 2018. Kitsune Associates Limited was incorporated on 12 January 2017.

The Group holds investments in dormant companies. As part of an exercise to simplify Group structure, the dormant companies listed below have now been dissolved.

Dormant Companies	Registered number	Class of shares	Proportion held	Capital and reserves	Dissolved
Group Direct Limited	04312135	Ordinary	100%	£700	8 January 2018

15 Contract Acquisition Costs

Insurance broking contract costs	2018 £000	2017 £000
Balance at 1 January 2018	**1,560**	-
Effect of adoption of IFRS 15	**-**	651
Amortisation of prior year deferral	**(947)**	(433)
Deferral of current year contract costs	**1,706**	1,342
Total	**2,319**	1,560

Contract acquisition costs relate to the deferral of certain aggregator and brand payaway costs incurred upon the successful sale of an insurance policy by the broking business.

16 Contract Assets

Medical Reporting contract asset	2018 £000	2017 £000
Non-current	**8,606**	7,956
Current	**8,526**	11,551
Total	**17,132**	19,507

The contract assets above represents management's best estimate of the recoverable amounts. Current balances are those which are expected to be recovered in the 12 months following the balance sheet date. Non-current are those expected to be recovered in more than 1 year from the balance sheet date.

The long term nature of the contract asset requires the application of an impairment model based on the lifetime expected credit loss defined as "all expected credit losses that result from all possible default events over the expected life of a financial instrument". A default event in the context of IQED would be the failure of a solicitor. All of IQED's solicitors are regulated by the SRA. In the event of default by a solicitor, legal cases are transferred to an alternative solicitor. This does not therefore give rise to a default.

Any adjustment to the recoverable amount of the contract asset that would arise from a transfer of a case to an alternative solicitor would be considered as part of revenue recognition under IFRS 15 and the carrying value of the contract asset would be adjusted accordingly.

An assessment of impairment under IFRS 9 gives rise to a negligible lifetime credit risk and the carrying value of the contract asset has not been adjusted for future credit losses.

17 Trade and other receivables

	Consolidated		Company	
	31 December 2018 £000	31 December 2017 £000	**2018 £000**	2017 £000
Receivables relating to insurance transactions	**2,478**	1,016	-	-
Less: provision for impairment of receivables	**(1,612)**	(400)	-	-
Insurance receivables - net	**866**	616	-	-
Trade receivables	**361**	276	-	-
Amounts due from Group undertakings (note 28)	-	-	**31**	31
Amounts due from parent undertakings (note 28)	**14,875**	11,392	**165**	165
Prepayments and accrued income	**1,940**	2,297	-	-
Other receivables	**43**	57	-	-
Total	**18,085**	14,638	**196**	196
Current portion	**18,085**	14,638	**196**	196

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

18 Cash and cash equivalents

	Consolidated		Company	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Current accounts	**2,284**	1,588	-	-
Client accounts	**3,939**	4,139	-	-
Total	**6,223**	5,727	-	-

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

19 Trade and other payables

	Consolidated		Company	
	31 December 2018 £000	31 December 2017 £000	**2018 £000**	2017 £000
Payable relating to insurance transactions	**3,523**	3,920	-	-
Trade payables	**4,215**	5,142	-	-
Amounts due to Group undertakings (note 28)	-	-	**15,665**	14,814
Amounts due to parent undertakings (note 28)	**180**	180	-	-
Tax and social security	**3,563**	3,386	-	-
Accruals and deferred income	**3,174**	3,708	-	238
Other payables	**4,603**	3,715	-	-
Total	**19,258**	20,051	**15,665**	15,052

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

20 Borrowings

	Consolidated		Company	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Current borrowings				
Loan from parent undertaking (note 28)	**18,534**	18,534	-	-
Total current borrowings	**18,534**	18,534	-	-
Non current borrowings				
Other loans	-	-	-	-
Total non current borrowings	-	-	-	-
Total borrowings	**18,534**	18,534	-	-

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.

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.

21 Financial instruments

Financial Assets	Consolidated				Company			
	Carrying amount 2018 £000	**Fair value 2018 £000**	Carrying amount 2017 £000	Fair value 2017 £000	**Carrying amount 2018 £000**	**Fair value 2018 £000**	Carrying amount 2017 £000	Fair value 2017 £000
Loans and receivables								
Cash and cash equivalents	**6,223**	**6,223**	5,727	5,727	-	-	-	-
Contract acquisition costs, contract assets and receivables excluding prepayments	**35,596**	**35,596**	34,739	34,739	**196**	**196**	196	196
Total financial assets	**41,819**	**41,819**	40,466	40,466	**196**	**196**	196	196

There is a cash amount held in Escrow of £20,000 which is required under the Medco regulatory requirements for a Tier 2 firm. All other cash and cash equivalent balances are held in immediately accessible, current bank accounts.

The Group's key financial risk is liquidity and cash flow risk. The nature of the services provided by the Group's medical reporting business means that the liability to pay medical experts is realised at the point where the service is provided whereas the recoverability of amounts due to Injury QED can be expected in the medium to long term as underlying court cases are settled. This results in an extended working capital cycle for the Company. The liquidity risk arises predominantly from its contract asset held at the balance sheet dates, the ageing of which is set out below.

Contract Assets	**2018 £000**	2017 £000
Less than 12 months	**8,526**	11,551
12 – 24 months	**4,385**	5,476
24 – 36 months	**1,183**	1,793
Over 36 months	**3,038**	687
Total	**17,132**	19,507

The above ageing is based on an expected repayment pattern and does not represent contractual terms of underlying cases. Other than cash held at bank, all other counterparties are unrated.

Financial Liabilities	Consolidated				Company			
	Carrying amount 2018 £000	**Fair value 2018 £000**	Carrying amount 2017 £000	Fair value 2017 £000	**Carrying amount 2018 £000**	**Fair value 2018 £000**	Carrying amount 2017 £000	Fair value 2017 £000
Liabilities measured at amortised cost								
Loans and borrowings	**18,534**	**18,534**	18,534	18,534	-	-	-	-
Trade and other payables excluding statutory liabilities	**16,947**	**16,947**	19,010	19,010	**15,665**	**15,665**	15,052	15,052
Total financial liabilities	**35,481**	**35,481**	37,544	37,544	**15,665**	**15,665**	15,052	15,052

The Group has no exposure to interest rate risk and all borrowings are intra-group and interest free. There is no exposure to foreign exchange rate risk as all business is transacted domestically in pounds sterling. Loans provided from parent undertakings, Belvedere Bidco Limited are repayable on demand, although it has been confirmed that they will not seek repayment within the period of 12 months from the date that these financial statements were approved by the Directors.

22 Provisions for liabilities and charges

	Consolidated				
	Cancellation £000	Onerous Contracts £000	Restructuring £000	Dilapidations £000	**Total £000**
Balance at 1 January 2018	**438**	**263**	**260**	**187**	**1,148**
Provisions made during the year	66	-	-	-	**66**
Provisions used during the year	-	(263)	(260)	(30)	**(553)**
Balance at 31 December 2018	**504**	**-**	**-**	**157**	**661**

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 has been made in relation to the estimated clawback arising from future cancellations on unexpired financed policies at the balance sheet date. Furthermore, provision is made against automatic cancellation fees charged which may not be recoverable where customer's default on their committed instalment plans.

The onerous contract provision at the start of 2018 relate to the run-down of the legacy eSystem and certain IT contracts within the Group's broking operations and also onerous contracts relating to the relocation of IQED from Cardiff to Bristol. These have been fully utilised during 2018.

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. Provision was made at the end of 2017 in relation to contractual retention bonuses following relocation of certain staff and quantified costs of leavers exiting in 2018 across both the broking operations and medical reporting business. This was utilised during the year.

The provision for dilapidations was re-assessed at 31 December 2018. Provisions previously held were released and new provisions calculated for each lease held by the Group. The provision for dilapidations in relation to IQED's previous offices was reduced during the year as negotiations with the former landlord progressed. Dilapidations are expected to be paid during 2019.

23 Deferred tax

Consolidated	2018 £000	2017 £000
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	**4,747**	6,048
Deferred tax asset to be recovered within 12 months	**-**	-
At 31 December	**4,747**	6,048

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

Consolidated	Accelerated Tax Depreciation £000	Unutilised trading losses £000	Adjustments on the tax on the opening balances £000	**Total £000**
At 1 January 2017	319	5,319	(44)	**5,594**
Impact of adoption of IFRS 15 (note 28)	-	-	(111)	**(111)**
Losses arising in 2017	-	473	-	**473**
Credited/(charged) to Statement of Profit and Loss and Other Comprehensive Income	92	-	-	**92**
At 31 December 2017	**411**	**5,792**	**(155)**	**6,048**
Losses arising in 2018	-	316	-	**316**
Credited/(charged) to Statement of Profit		(1,631)		**(1,631)**
and Loss and Other Comprehensive Income	14	-	-	**14**
Balance at 31 December 2018	**425**	**4,477**	**(155)**	**4,747**

The unutilised historic trading losses were incurred by Brightside Insurance Services Limited and Injury QED Limited. Management forecasts are that these businesses will generate profits for the foreseeable future, and the assets will therefore be utilised against these profits in future years.

Losses incurred which have not been recognised for deferred tax at 31 December 2018 amounted to £33.1m (2017: £31m) and the value of the deferred tax asset which has not been recognised at a rate of 17% amounted to £5.6m (2017: £5.2m).

24 Share capital and premium

The issued share capital of the Company was as follows:

	2018 £000	2017 £000
Allotted, called up and fully paid		
4,800,595,417 (2017: 4,219,095,417) ordinary shares of £0.01 each	**48,006**	42,191

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 2017	4,219,095,417	42,191	36,868
Shares issued during the year (refer below)	581,500,000	5,815	-
As at 31 December 2018	4,800,595,417	48,006	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 16 July 2018 the Company issued 91,500,000 ordinary shares at par for cash consideration to its immediate parent undertaking, Belvedere Bidco Limited. On the same date the Company issued a further 444,500,000 ordinary shares at par to Belvedere Bidco Limited. Consideration for the shares was satisfied in exchange for set-off of an equal loan amount outstanding.

On 12 October 2018 the Company issued a further 45,500,000 ordinary shares at par for cash consideration to its immediate parent undertaking, Belvedere Bidco Limited.

25 Obligations under finance leases

	2018 £000	2017 £000
Minimum lease payments		
Within one year	**307**	188
Between one and five years	**387**	577
Later than five years	**-**	-
	694	765
Future finance charges on finance leases	**(103)**	(148)
Present value of finance leases	**591**	617
Present value of minimum lease payments		
Within one year	**220**	128
Between one and five years	**371**	489
Later than five years	**-**	-
	591	617
Analysed as:		
Current	**220**	128
Non-current	**371**	489
	591	617

26 Cash generated from/(used in) operations

	Consolidated		Company	
	2018 £000	2017 £000	**2018 £000**	2017 £000
(Loss) before income tax	**(10,318)**	(10,209)	**(7,113)**	(13,506)
Adjustments for:				
Depreciation	**686**	692	**-**	-
Amortisation of intangible assets	**3,519**	3,330	**-**	-
Impairment of intangible assets	**7,286**	2,307	**6,500**	4,304
Finance charges - net	**82**	42	**-**	-
Changes in working capital				
Trade and other receivables	**35**	1,590	**-**	26,342
Trade and other payables	**(448)**	5,409	**613**	(17,140)
Contract acquisition costs	**(759)**	(909)	**-**	-
Contract assets	**2,375**	(1,325)	**-**	-
Provisions	**(487)**	289	**-**	-
Cash generated from/(used in) operations	**1,971**	1,216	**-**	-

27 Commitments

Capital commitments

Group and Company

There were no capital commitments at 31 December 2018 (2017: 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 2018 the Group had annual commitments under non-cancellable operating leases as follows:

	2018		2017	
	Land & Buildings £000	**Other £000**	Land & Buildings £000	Other £000
In one year or less	**398**	-	393	15
Between one and five years	**1,424**	-	1,485	-
Over 5 years	**970**	-	1,293	-
Total	**2,792**	-	3,171	15

28 Related party transactions

The following transactions were carried out with related parties:

	Consolidated		**Company**	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Transactions with group undertakings				
Sales				
Brightside Insurance Services Limited	-	-	**3,045**	3,045
Purchases				
Brightside Insurance Services Limited	-	-	**3,045**	3,045
Year end balances arising from trading transactions				
Receivables from related parties				
Injury QED Limited	-	-	**31**	31
Parent undertakings (See below)	**14,875**	11,392	**165**	165
	14,875	11,392	**196**	196
Payables to related parties				
Group Direct Marketing Limited	-	-	**13,335**	13,335
Brightside Insurance Services Limited	-	-	**2,330**	1,479
Parent undertakings (See below)	**18,714**	18,714	-	-
	18,714	18,714	**15,665**	14,814

Parent undertakings

Transactions between the Group and parent undertakings were as follows:

	Group		Company	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Payables due to Parent undertakings				
Belvedere Bidco Limited (note 20)	**18,534**	18,534	**-**	-
Belvedere Bidco Limited (note 19)	**140**	140	**-**	-
Belvedere Midco Limited (note 19)	**40**	40	**-**	-
	18,714	18,714	**-**	-
Receivables due from Parent undertakings				
Belvedere Bidco Limited (note 17)	**14,608**	11,136	**-**	-
Belvedere Midco Limited (note 17)	**115**	115	**75**	75
Belvedere Holdings (Guernsey) Limited (note 17)	**152**	141	**90**	90
	14,875	11,392	**165**	165

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

29 Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Belvedere Bidco Limited, a Company registered in England and Wales whose registered address is Brightside Park, Severn Bridge, Aust, Bristol, BS35 4BL.

The ultimate parent undertaking is AnaCap Financial Partners II, LP, a partnership registered in Guernsey. The registered office is One Stephen Street, London, W1T 1AL.

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.

30 Contingent liabilities

The Group 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 2018 the liability due to HM Revenue and Customs under the group VAT registration was £242,329 (2017: £277,395).

The risk of claims for errors and ommissions arising from the placement of a customer's insurance policy is mitigated by the Group's Professional Indemnity insurance. The excess of £20,000 is deemed to be the maximum exposure to the company for each and every claim. A log of each and every incident is held by the Group and where a liability is considered possible, full provision is made. At 31 December 2018, an amount of £20,000 was held by the Group (2017: £20,000).

31 Post balance sheet events

During May 2019 an announcement was made relating to the future of the IQED business. The market landscape for businesses such as IQED has been changing rapidly over the past few years. There have been a number of significant impacts to the business; including the changing regulatory impact in relation to whiplash claims, the ability of law firms to compete in a very crowded market and the cost to firms such as IQED to compete effectively. In addition, moving from a Tier 1 to a Tier 2 status firm recently has also had an impact on the business.

As a result, the IQED business has made the decision to no longer accept new business instructions from 1st June 2019. Cases that are in progress before this date will still continue to be worked through to completion.

Following the uncertainty over the future panel of solicitors at 31 December 2018 and the expected downturn in the future performance of the business, the cost of investment and goodwill balances in relation to IQED have been be fully impaired and reflected in these consolidated financial statements.