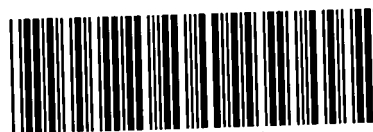


Brightside Group Limited

Report and Financial Statements
for the year ended 31 December 2017

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Brightside Group Limited

Report and Financial Statements for the year ended 31 December 2017

Company information

Company registration number:	05941335
Registered office:	Brightside Park Severn Bridge Aust Bristol BS35 4BL
Directors:	Brendan McCafferty Mark Cliff Edward Green Neil Macmillan Ian Sutherland Russell Bence David Sweeney 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 2017

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Strategic Report
for the year ended 31 December 2017

The Directors present their Strategic Report for the year ended 31 December 2017.

Business Review and Future Developments

2017 was a year of considerable change for the Group with operating structures reviewed and realigned where appropriate in order to continue the positive momentum towards the Group's long term plan. Insurance broking activities continued to be core to the strategy of the group and delivered strong results despite challenging market conditions. The medical reporting business was restructured during the year and its operations were relocated from Cardiff to the Group's main premises in Aust, Bristol.

Total revenue for the year was £42.1m which is 12% down on 2016 restated revenues of £48.0m. Revenue comprises £25.4m from insurance broking activities, £15.3m from medical reporting and £1.4m of other ancillary revenues.

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 2017 was £5.0m (2016: £3.9m) reflecting the underlying profitability of the activities of the Group.

2018 will see the launch of Brightside's new Managing General Agency ("MGA"), Kitsune Associates Limited. The wholly owned subsidiary of the Group was incorporated in early 2017 and the Group has invested significant funds in the set up and development of the business during the year. Capacity has been secured with a reinsurer of good financial strength (A- rating) and is expected to start writing motor insurance policies in late 2018. The capacity provided to the MGA will improve stability and product reach for Brightside's broking operations and offer incremental policy growth opportunities to the group through more competitive new business and renewal pricing.

Performance Review and Key Performance Indicators

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

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 government's introduction of the Civil Liability Bill in 2017, more commonly known as "the Ogden rate" created volatility around pricing which led to an overall fall in broking revenues. However, 2017 saw improvements for the underlying broking business in a number of areas.

The insurer panel for private car insurance was successfully rebuilt and extended during the year and the use of data enrichment at the point of sale has created a strong foundation for growth with gross written premium ("GWP") exceeding £99m in 2017 (2016: £92m). Retention rates increased to 61% in 2017 from 30.5% in 2016. Brightside Van continues to make strong headway and Commercial Vehicle Direct performed well with retention rates growing from 68% in 2016 to 72% in 2017. Operational improvements continue to have a positive impact on the customer journey and Trustpilot scores reached 8.3 for Bristol.

Southampton continues to do well with its wastage contracts leading to an increased number of leads and conversion rate increasing from 32% in 2016 to 35% in 2017. A new capacity arrangement has also helped to increase the persistency of the renewal book to 66% in the year (2016: 64%).

Torquay's niche products exceeded plan with both taxi and minibus having doubled in GWP. The partnership with our digital agency has enhanced the customer journey and markedly improved pay per click activity.

Overall, BISL generated revenue of £26.8m (2016: £27.1m). Policy sales increased from 165,988 in 2016 to 170,573 in 2017.

The Group early adopted IFRS 15 during 2017 which led to a review of income recognition of each of its revenue streams. This had minimal impact on the revenue recognition across the Group companies, however, there was a material impact on the cost of sales incurred by the Group's insurance broking operations. As a result, an element of the direct cost of sale of each insurance policy, including fees paid to aggregators and brand payaways, is now deferred and amortised over the life of the policy acquired. This is based on the persistency of its renewal book. The impact of the new accounting standard is presented in these financial statements under the cumulative effect method and hence comparatives have not been restated (see note 28).

Strategic Report
for the year ended 31 December 2017

During the year, the Group also reviewed its accounting treatment in relation to its insurance receivables and insurance payables balances. Historically, the Group included amounts in the insurance receivables and payables balances representing premiums receivable from policyholders, claims receivable from insurers, premiums payable to insurers and claims payable to policyholders. Insurance cash balances effectively represented cash in transit between policyholders and insurers. The Group has decided that the insurance premium element of the receivables and payables balances should not be recognised in the Group'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, it is accepted that recognition at that point is made with a corresponding liability. Whilst this has nil impact on profit or loss, a prior year adjustment has been reflected in these financial statements in order to restate the balances held as insurance receivables and payables in the statement of financial position (note 30).

Medical reporting

The medical reporting activities of the Group is carried out through its wholly owned subsidiary, Injury QED Limited ("IQED"). Injury QED Limited performed well during the year in light of significant change to its operating structure. The Injury QED Board took a strategic decision to move the operations of Injury QED Limited to Bristol. As a result of the management and staffing restructure, 25 staff transferred from the Company's Cardiff operation to the Group's head offices in Bristol in late 2017. A large number of staff were recruited locally to bring the operation back to capacity.

The restructure, together with Injury QED's move from a Tier 1 Medco firm to Tier 2 status resulted in a fall of revenue of 22% from prior year. However, an improvement at a gross margin level was seen taking it to 40% in 2017 (2016 restated: 35%). Profit before tax was impacted by a higher overhead office recharge compared to 2016 as the Group looked to rebalance the costs previously absorbed by head office across the relevant subsidiaries.

The variability of the Company's revenue model means that the income received will often depend on the outcome of the underlying court case. It was concluded that management's previous estimates of revenue had not been adequate. Management had not fully considered the impact of the changing mix of business during 2015 and 2016 towards more specialist cases; these cases having a greater propensity to fail. As a result, a significant prior year adjustment is reflected in these financial statements. The reassessment of revenue during 2017 and prior periods considered the possible and probable outcome of cases together with the contractual arrangements in place with each of its solicitors. The impact was to reduce revenue by £0.8m in 2017 and £1.4m in 2016, with a further £6.1m adjustment for 2015 and prior years. Further details are given in note 30. During the year the Company generated revenue of £15.3m (2016 restated: £19.3m) in respect of 35,559 instructions from solicitors in relation to reports and rehabilitation sessions (2016: 50,430) and 16,028 instructions in relation to life insurance (2016: 41,938). The Company ceased its Life insurance activities in May 2017.

Software and web services

The Group's Lead Generation services and software and web services activities moved from Group Direct Marketing Limited to Brightside Insurance Services Limited at the start of 2017. This non-core activity has been in decline and a strategic decision was made in late 2017 to wind down these activities going forward. Fees generated by the Lead Generation division decreased during the year to £1.3m (2016: £1.6m). As a result of the imminent cessation of this trade, the Goodwill arising on acquisition of the original Quote Exchange business has been fully impaired as at 31 December 2017.

Strategic Report

for the year ended 31 December 2017

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:

	2017	2016
	£000	£000
Loss before tax	(10,209)	(6,872)
Depreciation/amortisation/net interest (notes 12, 13 and 10)	4,064	2,867
Impairment charge (note 13)	2,307	-
Reorganisation and restructuring costs (note 6)	6,234	6,514
MGA set up costs (as explained above in the Business review and future developments)	1,429	-
Amortisation of contract acquisition costs relating to prior years capitalised as part of adoption of IFRS 15 (as described in note 28) <i>see footnote 1</i>	433	-
Adjustment to revenue (as described in note 30) <i>see footnote 2</i>	815	1,378
Adjusted EBITDA	5,073	3,887

- 1- Due to the IFRS 15 being adopted using the cumulative effect method an adjustment has been 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 is adjusted by £1.378m and £0.815m respectively in 2016 and 2017 to measure revenue on the basis applied in internal management reporting in the year. This is the same basis as was applied in the previously published 2016 financial statements (corrected by prior period adjustment in these financial statements as explained in note 30 in 2017 accounts).

The Adjusted EBITDA of the Group was £5.1m (2016 restated: £3.9m).

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 £5.7m (2016: £5.5m), contract acquisition costs of £1.6m (2016: £nil), contract assets of £19.5m (2016 restated: £18.2m), trade and other receivables of £14.6m (2016 restated: £12.5m) and total liabilities of £40.4m (2016 restated: £38.3m).

Contract assets arising from the Medical reporting business of £19.5m at 31 December 2017 (restated 2016: £18.2m) 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.

Trade and other receivables in relation to insurance transactions were £0.6m at 31 December 2017 (2016 restated: £0.7m). 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.

Strategic Reportfor the year ended 31 December 2017

The Group's non-derivative financial liabilities are analysed into Borrowings and Trade and other payables. The maturity profile of the borrowings is shown in note 19 to the financial statements. Outstanding loans of £3.7m provided by Belvedere Bidco Limited to were set-off in exchange for shares issued during the year resulting in a total balance of £18.5m at the 31 December 2017 (2016: £22.2m).

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 2017 were £20.1m (2016 restated: £15.3m) 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 £14.6m (2016 restated: £12.5 m). Of this amount, £0.6m (2016 restated: £0.7m) related to amounts due in respect of broking business roughly equating to one month's income. Remaining balances of £14.0m (2016 restated: £11.8m) relates to receivables due from fellow undertakings along with prepayments and accrued income.

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 2017 was nil (2016: nil).

Financial assets

The Group does not hold any fixed rate financial assets (2016: 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 20% in 2017 (2016 restated: negative return of 13%).

The gearing ratio (calculated as total borrowings over total equity) of the Group decreased during the year from 44% at 31 December 2016 (restated) to 36% at 31 December 2017.

Strategic Reportfor the year ended 31 December 2017

Group Operational RisksBroking 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 is not considered to be a risk to the Group as all of the Group's customers are UK based and access to overseas domiciled insurers is not likely to affect the Group.

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, there will be an impact on 2018 Medco instruction levels which is expected to have a gross margin impact of c.25%. Headcount has been reduced accordingly and focus is now on generating revenue in other areas of the business.

Client concentration

The concentration risk associated with Injury QED's panel of solicitors is considered by management to be a key risk to the business. Injury QED's Top 5 solicitors account for c.68% of its revenue. The Company is limited in its selection of client base due to the way in which instructions are received via the Medco portal. Management continually assesses the impact of client concentration risk through sensitivity analysis within its budgeting and forecasting planning.

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

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 21 September 2018 and signed on its behalf by:



Ian Sutherland
Director

Date: 21 September 2018

Directors Report
for the year ended 31 December 2017

The Directors submit their report and the audited Financial Statements for the year ended 31 December 2017.

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 (2016: £nil).

Directors

The Directors who served during the year were as follows:

Executive Directors

Mark Cliff	(resigned 18 August 2018)
Ian Sutherland	
Russell Bence	
David Sweeney	
James Jones	(resigned 29 August 2017)
Brendan McCafferty	(appointed 20 August 2018)

Non-executive Directors

Mark Cliff	(appointed 20 August 2018)
Edward Green	
Neil Macmillan	
Graham Donoghue	(resigned 23 June 2017)
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 it's carbon footprint. During the year, LED lighting was implemented in the AUST premises, Air Handling Units time schedules were restricted to operational hours and new energy efficient vending machines were installed. The Group also recycles 100% of its cardboard wastage and all confidential waste.

Directors Reportfor the year ended 31 December 2017

Political and Charitable Donations

No political donations were made during the year (2016: nil). Charitable donations of £2,533 were made during the year (2016: nil). During the year the Group launched Brightside Helps, where each site has nominated a local charity to support with regular fundraising events. The charities supported are The Grand Appeal (Bristol), Abby's Heroes (Southampton), Rowcroft Hospice (Torquay) & Boomerang (Cardiff). The group regularly hold events for charity, including Save the Children, Children in Need, Comic Relief and the Macmillan Cake mornings. Offices also arrange Easter Egg and Christmas Shoe Box collections for local Childrens hospices.

Community work

A number of the Group's employees work with local schools, running career and interviewing events and advertising the Group's apprenticeship scheme to local students.

Two of the Groups offices also support small local businesses by inviting them onsite to offer our staff car valeting during business hours.

During the year our Torquay office also participated in a promotional video produced by the Torbay Development Agency on behalf of the Council, involving local businesses to encourage more businesses to set up in the Torbay area.

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 as well as taking into account the confirmation from its Ultimate parent undertaking Anacap Financial Partners II, LP that it will continue to provide support for the Company and Group for at least 12 months from the date of approval of these financial statements and for the foreseeable future to enable it to continue to trade.

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 21 September 2018 and signed on its behalf by:

**Ian Sutherland**

Director
Brightside Park
Severn Bridge
Aust
Bristol
BS35 4BL

Date: 21 September 2018

Statement of Directors' Responsibilities
for the year ended 31 December 2017

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 2017 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 2017 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.

Going concern

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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

We have nothing to report in these respects.

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

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.

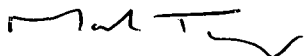
Auditor's responsibilities

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.



Mark Taylor (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE
21 September 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2017

	Note	Consolidated	
		2017 £000	Restated* 2016** £000
Revenue	4	42,170	48,011
Cost of sales		(14,337)	(17,896)
Gross profit		27,833	30,115
Administrative expenses	5	(38,000)	(36,967)
Operating loss		(10,167)	(6,852)
Finance costs (net)	10	(42)	(20)
Loss before income tax		(10,209)	(6,872)
Income tax credit	11	565	3,759
Loss for the year		(9,644)	(3,113)
Other comprehensive income		-	-
Total comprehensive income		(9,644)	(3,113)
Attributable to:			
The shareholder		(9,644)	(3,113)

*See note 30. The Group has restated 2016 comparatives to reflect the impact of a prior year adjustments.

**The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 28.

The notes on pages 19 to 49 are an integral part of these consolidated financial statements.


Consolidated and Company Statement of Financial Position
for the year ended 31 December 2017

		Consolidated			Company	
		31 December 2017 £000	Restated 31 December 2016* £000	Restated 31 December 2015* £000	31 December 2017 £000	31 December 2016 £000
	Note					
ASSETS						
Non-current assets						
Property, plant and equipment	12	4,156	3,317	3,498	-	-
Intangible assets	13	40,741	44,221	43,401	27,581	27,581
Investment in subsidiaries	14	-	-	-	100,130	94,334
Contract acquisition costs	15	1,560	-	-	-	-
Contract assets	16	7,956	8,996	7,418	-	-
Deferred tax asset	23	6,048	5,594	1,835	-	-
Total non-current assets		60,461	62,128	56,152	127,711	121,915
Current assets						
Corporation tax receivable		-	-	6	-	-
Contract assets	16	11,551	9,186	7,575	-	-
Trade and other receivables	17	14,638	12,520	9,252	196	30,203
Cash and cash equivalents	18	5,727	5,515	6,340	-	-
Total current assets		31,916	27,221	23,173	196	30,203
TOTAL ASSETS		92,377	89,349	79,325	127,907	152,118
EQUITY AND LIABILITIES						
Capital and reserves attributable to the shareholder						
Share capital	24	42,191	32,091	12,438	42,191	32,091
Share premium	24	36,868	36,868	36,868	36,868	36,868
Reverse acquisition reserve		2,530	2,530	2,530	56,250	56,250
Retained earnings		(29,562)	(20,458)	(17,345)	(22,454)	(8,948)
Total equity		52,027	51,031	34,491	112,855	116,261
Current liabilities						
Trade and other payables	19	20,051	15,260	17,476	15,052	32,192
Provisions for other liabilities and charges	22	1,148	859	3,873	-	-
Finance lease liabilities	25	128	-	-	-	-
Borrowings	20	18,534	22,199	23,483	-	3,665
Total current liabilities		39,861	38,318	44,832	15,052	35,857
Non current liabilities						
Finance lease liabilities	25	489	-	-	-	-
Long term borrowings		-	-	2	-	-
Total non current liabilities		489	-	2	-	-
TOTAL EQUITY AND LIABILITIES		92,377	89,349	79,325	127,907	152,118

*See note 30. The Group has restated 2016 comparatives to reflect the impact of prior year adjustments. The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 28.

The notes on pages 19 to 49 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 21 September 2018 and were authorised for issue on its behalf by:



Ian Sutherland
Director

21 September 2018

Consolidated Statement of Changes in Shareholder's Equity

for the year ended 31 December 2017

	Share capital £000	Share Premium £000	Reverse Acquisition Reserve £000	Retained Earnings £000	Total £000
Balance at 1 January 2016, as previously reported	12,438	36,868	2,530	(12,263)	39,573
Impact of prior year adjustment (note 30)	-	-	-	(5,082)	(5,082)
Restated balance at 1 January 2016	12,438	36,868	2,530	(17,345)	34,491
Comprehensive income					
Loss for the year to 31 December 2016 (restated)	-	-	-	(3,113)	(3,113)
Transactions with the owners					
Issue of shares	19,653	-	-	-	19,653
Total transactions with shareholder	19,653	-	-	-	19,653
Equity as at 31 December 2016* (restated)	32,091	36,868	2,530	(20,458)	51,031
Change in accounting policy (note 28)**	-	-	-	540	540
Adjusted balance at January 2017	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 (note 24)	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

* See note 30. The Group has restated 2016 comparatives to reflect the impact of prior year adjustments.

**The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 28.

The notes on pages 19 to 49 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 2017 and 2016.

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 2017

	Attributable to the shareholder				
	Share capital £000	Share Premium £000	Reverse Acquisition Reserve £000	Retained Earnings £000	Total £000
Equity as at 1 January 2016	12,438	36,868	56,250	(6,097)	99,459
Comprehensive Income					
Loss for the year to 31 December 2016	-	-	-	(2,851)	(2,851)
Total comprehensive income for the year	-	-	-	(2,851)	(2,851)
Transactions with the owners					
Shares issued	19,653	-	-	-	19,653
Total transactions with the shareholder	19,653	-	-	-	19,653
Equity as at 31 December 2016	32,091	36,868	56,250	(8,948)	116,261
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 (note 24)	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

The notes on pages 19 to 49 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 2017 and 2016.

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 2017

		Consolidated		Company	
	Note	2017 £000	2016 £000	2017 £000	2016 £000
Cash flows from operating activities					
Cash generated from operations	26	1,216	(13,476)	-	1,417
Income tax received/(paid)		-	6	-	-
Net cash (used in)/generated from operating activities		1,216	(13,470)	-	1,417
Cash flows from investing activities:					
Payments to acquire property, plant and equipment		(1,104)	(248)	-	-
Payments to acquire intangible assets		(2,585)	(3,238)	-	-
Investment in subsidiary company		-	-	(3,735)	(14,900)
Net cash flows used in investing activities		(3,689)	(3,486)	(3,735)	(14,900)
Cash flows from financing activities:					
Issue of share capital	24	3,735	14,862	3,735	14,862
Repayment of borrowings		-	(87)	-	(1,413)
Amounts paid on behalf of parent undertakings		(3,708)	(2,216)	-	-
Loans received from parent undertakings		2,700	3,665	-	-
Repayment of other borrowings		-	(73)	-	-
Interest (paid)/received		(42)	(20)	-	34
Net cash flows generated from financing activities		2,685	16,131	3,735	13,483
Net (decrease)/increase in cash and cash equivalents					
		212	(825)	-	-
Cash and cash equivalents at beginning of year		5,515	6,340	-	-
Cash and cash equivalents at end of year		5,727	5,515	-	-

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.

Notes to the Financial Statements
for the year ended 31 December 2017

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 2017 except for IFRS 15 which it has chosen to adopt a year early. None of the amendments to standards listed below had an impact on the Company except for IFRS 15 "Revenue from Contracts with Customers" the impact of which is set out in note 28.

The standards, amendments and interpretations which became effective in 2017 (unless otherwise stated) were:

- IFRS 15 "Revenue from Contracts with Customers" - This has been early adopted in 2017 (mandatory effective date 1 January 2018)
- IAS 7 "Statement of Cash Flows" – Disclosure Initiative
- IAS 12 "Income Taxes" – Amendments to the recognition of Deferred Tax Assets for Unrealised Losses
- "Annual Improvements to IFRSs 2012-2014 Cycle"

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 2018 or later periods but which the Company has not early adopted:

- IFRS 9 "Financial Instruments" (effective date 1 January 2018)
- 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).

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 £13.5m (2016: loss of £2.9m) after the inclusion of Reorganisation expenses of £2.9m (2016: £1.7m) and impairment of subsidiary undertakings of £4.3m (2016: £nil).

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

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 as well as taking into account the confirmation from its Ultimate parent undertaking Anacap Financial Partners II, LP that it will continue to provide support for the Company and Group for at least 12 months from the date of approval of these financial statements and thereafter for the foreseeable future to enable it to continue to trade.

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
Motor vehicles	25% 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.

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

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.

Notes to the Financial Statements
for the year ended 31 December 2017 (continued)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 £29.5m.

xii) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows investment have been affected.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be individually. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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 16, 17 and 18 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.

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

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 company has applied IFRS 15 using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under IAS 18. There are no material differences to accounting policies under IAS 18 and those under IFRS 15. The only material difference on adoption of IFRS 15 is the treatment of contract acquisition costs, which are now required to be capitalised and systematically amortised over the period to which future revenue is earned (see accounting policy vii). The impact of the adoption of IFRS 15 is disclosed further in note 28.

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

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

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.

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

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 2017, 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 2017

Notes to the Financial Statements
for the year ended 31 December 2017 (continued)

is £27.6m (2016: £27.6m), and for the Group is £34.8m (2016: £37.0m). The value of goodwill stated for the Company at December 2017 is stated after a charge for impairment in the year of £nil (2016:£nil) arising from the impairment test carried out at 31 December 2017, and for the Group was £2.2m (2016:£nil) 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 receivables at the balance sheet date of £16.9m (2016 restated: £15.4m). Of this amount £3.4m (2016: £6.0m) related to amounts due in respect of insurance transactions.

Provision has been made against insurance receivables of £0.4m (2016:£2.35m). 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 2017, deferred tax assets were held in Brightside Insurance Services Limited and Injury QED Limited of £4.4m (2016: £3.9m) and £1.7m (2016 restated: £1.3m) respectively. These assets resulted from historical trading losses and accelerated capital allowances. These losses can only be utilised if the trade continues to produce profits in the future. The recoverability of the deferred tax asset has been assessed based on the pre-tax cash flows obtained from financial budgets approved by management covering the five year period ended 31 December 2022.

Notes to the Financial Statements
for the year ended 31 December 2017 (continued)

4 Revenue by nature

The breakdown of revenue by category is as follows:

	2017	Restated
	£000	2016 £000
Insurance broking commission and fees	19,609	21,131
Premium finance income	4,989	4,799
Other insurance income	860	1,348
Income from insurance activities	25,458	27,278
Medical reporting	15,332	19,311
Other income	1,380	1,422
Total	42,170	48,011

Revenue is restated as a result of a prior year adjustment in relation to revenue recognition relating to the Group's Medical Reporting business (see note 30).

5 Administrative expenses

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

	2017	2016
	£000	£000
Depreciation charge (note 12)	692	429
Amortisation of intangible assets (note 13)	3,330	2,418
Employee benefit expense	17,525	20,937
Impairment (note 13)	2,307	-
Operating lease rentals - Land and Buildings	525	648
Operating lease rentals - Other	30	217
Auditor's remuneration (note 7)	191	202
Reorganisation expenses (note 6)	6,234	6,514

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:

	2017	2016
	£000	£000
Costs and provisions	6,234	6,514
	6,234	6,514

The amount charged in relation to costs and provisions comprises provision for onerous contracts £0.4m (2016: £1.0m), provisions for IT contract costs £1.3m (2016: £2.1m), redundancy and reorganisation staff costs £1.8m (2016: £1.6m) and legal and other professional fees £2.7m (2016: £1.8m).

Notes to the Financial Statements
for the year ended 31 December 2017 (continued)

7 Auditor remuneration

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

	2017 £000	2016 £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	126	137
- Other services pursuant to legislation	45	45
Total	191	202

8 Employee benefit cost

	2017 £000	2016 £000
Wages and salaries	15,786	18,889
Social security costs	1,514	1,723
Pension costs	225	325
Total	17,525	20,937

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

	2017 Number	2016 Number
Directors	6	6
Sales and administration	595	690
Total	601	696

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.

Notes to the Financial Statements
for the year ended 31 December 2017 (continued)

9 Directors remuneration

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

	2017 £000	2016 £000
Salaries and fees	1,430	1,380
Benefits	176	188
Bonus	255	-
Compensation for loss of office	-	72
Total remuneration	1,861	1,640

During the year retirement benefits were accruing to 7 directors (2016: 8) in respect of defined contribution pension schemes, and no directors (2016: 2) 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 was a Director 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 £515,000 (2016: £415,000). The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (2016: £nil).

10 Finance costs

	2017 £000	2016 £000
Other interest expense	42	20
Net finance costs	42	20

Notes to the Financial Statements
for the year ended 31 December 2017 (continued)

11 Income tax credit

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

	2017 £000	Restated* 2016 £000
Current Tax		
Current tax on profits in period	-	-
Adjustments in respect of prior periods	-	-
	-	-
Deferred Tax (note 23)		
Origination and reversal of temporary differences	(92)	(29)
Tax losses carried forward	(473)	(3,774)
Effect of changes in tax rate	-	44
Income tax (credit) for the year	(565)	(3,759)

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

	2017 £000	Restated* 2016 £000
Loss before taxation	(10,209)	(6,872)
Loss on ordinary activities multiplied by the average standard rate of corporation taxation of 19.25% (2016: 20%)	(1,965)	(1,374)
Effects of:		
Amounts surrendered by Group companies	-	172
Amounts not deductible for tax purposes	46	1
Utilisation of losses brought forward	-	(28)
Origination and reversal of temporary differences	-	26
Unrelieved tax losses arising in the period	561	532
Deferred tax including tax rate differences	377	(3,088)
Impairment of cost of investment	829	-
Reversal of impairment	(413)	-
Income tax (credit) for the year	(565)	(3,759)

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 2017 are taxed at an effective rate of 19.25% (year to 31 December 2016-20%).

The effect of changes in tax rate in the year relates to the difference between the effective tax rate when the losses arose and the rate of 17% at which the losses are expected to be utilised. Corporation Tax main rate is currently set at 19% for the years starting the 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. A further reduction to 17% will be effective for the year starting 1 April 2020.

*see note 30.

Notes to the Financial Statements
for the year ended 31 December 2017 (continued)

12 Property, plant and equipment

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 net book value of computer hardware held under finance leases is £320k.

12 Property, plant and equipment (continued)

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

The depreciation charge for 2017 and 2016 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.

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

13 Intangible assets

The movement on intangible assets for the Group during the 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 net book value of computer software held under finance leases is £329k. Assets in course of construction comprises capitalised staff costs and external implementation costs in relation to the new insurance broking platform, CDL Strata.

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

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

Notes to the Financial Statements
for the year ended 31 December 2017 (continued)

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

	Company – 2017				
	Goodwill	Other	Computer	Assets in	Total
	£000	intangibles	software	course of	£000
		£000	and licences	construction	
			£000	£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 movement on intangible assets for the Company during the previous year was as follows:

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

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

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

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 2016 and 2017 for each cash generating unit was as follows:

	Consolidated				
	2016 £000	2016 £000	2016 £000	2017 £000	2017 £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	-	2,610	(495)	2,115
IQED business	5,171	-	5,171	-	5,171
Quote Exchange business	1,661	-	1,661	(1,661)	-
Total	37,023	-	37,023	(2,156)	34,867

The total Group impairment at 31 December 2017 was £2.2m (2016: £nil) following the impairment review carried out as at 31 December 2017. The impairment charge related to the Quote Exchange business as the trade is expected to cease in early 2018. There was also an impairment of goodwill in relation to the Brightside Group business which is based on the future cash flows of the GAP broking unit.

The recoverable amount of Goodwill calculated at 31 December 2017 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 2022 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% (2016: 11.6%) has been applied to all cash flow projections.

From the annual impairment review of the goodwill balances relating to Injury QED Limited, 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 67% of the consolidated net book amount of goodwill at 31 December 2017, an increase in the discount rate from 11.6% to a revised assumption of 13% would cause the recoverable amount to fall by £5.0m but still remain above the carrying value. A reduction in expected net income by up to 11% 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 £14.3m which would lead to a further impairment of £300k relating to the Brightside Group business.

Notes to the Financial Statements
for the year ended 31 December 2017 (continued)

The net book value of Goodwill in the Statement of Financial Position of the Company at 31 December 2016 and 2017 for each cash generating unit was as follows:

	Company				
	2016	2016	2016	2017	2017
	£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
Total	27,581	-	27,581	-	27,581

No impairment charge was required in 2017 following the impairment test (2016: £nil).

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

14 Investments in subsidiary undertakings

Company

	2017	2016
	£000	£000
Shares in Group undertakings		
At 1 January	94,334	74,443
Addition	10,100	19,891
Impairment	(4,304)	-
At 31 December 17	100,130	94,334

On 27 February 2017 Brightside Group Limited subscribed for 1,250,000 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 3,664,846 shares in exchange for set-off of an equal loan amount owed.

On 20 December 2017 Brightside Group Limited subscribed for a further 2,485,000 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 2,700,000 shares in exchange for set-off of an equal loan amount owed.

Investments in Group undertakings are stated at cost. Note that the impairment during the year 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:

<u>Direct Subsidiary Undertakings</u>	<u>Registered number</u>	<u>Class of shares</u>	<u>Proportion held</u>	<u>Principal activity</u>
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 2017. Kitsune Associates Limited was incorporated on 12 January 2017. Panacea Finance Limited became dormant during 2017 and was dissolved on the 6 March 2018.

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.

<u>Dormant Companies</u>	<u>Registered number</u>	<u>Class of shares</u>	<u>Proportion held</u>	<u>Capital and reserves</u>	<u>Dissolved</u>
David & Co. Consultants Limited	SC199775	Ordinary	100%	£2	12 September 2017
E Insurance Services Limited	05603030	Ordinary	100%	£100	12 September 2017
Group Direct Limited	04312135	Ordinary	100%	£700	8 January 2018
E-Systems Limited	93185	Ordinary	100%	£100	25 July 2017
Quote Exchange Limited	05635159	Ordinary	100%	£98	19 September 2017

Notes to the Financial Statements
for the year ended 31 December 2017 (continued)

15 Contract Acquisition Costs

	2017	2016
	£000	£000
Insurance broking contract costs		
Balance at 1 January 2017	-	-
Effect of adoption of IFRS 15 (see note 28)	651	-
Amortisation of prior year deferral	(433)	-
Deferral of current year contract costs	1,342	-
Total	1,560	-

The early adoption of IFRS 15 in 2017 as set out in note 28 resulted in the deferral of certain aggregator and brand payaway costs incurred upon the successful sale of a policy.

16 Contract Assets

	Contract assets under IFRS 15	Contract assets under IAS 18
	2017	2016
	£000	£000
Medical Reporting contract asset		
Non-current	7,956	8,996
Current	11,551	9,186
Total	19,507	18,182

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.

Notes to the Financial Statements
for the year ended 31 December 2017 (continued)

17 Trade and other receivables

	Consolidated		Company	
	31 December	Restated 31		
	2017	December	2017	2016
	£000	£000	£000	£000
Receivables relating to insurance transactions	1,016	3,083	-	-
Less: provision for impairment of receivables	(400)	(2,352)	-	-
Insurance receivables - net	616	731	-	-
Trade receivables	276	903	-	-
Amounts due from Group undertakings (note 29)	-	-	31	29,881
Amounts due from parent undertakings (note 29)	11,392	7,612	165	165
Prepayments and accrued income	2,297	3,142	-	107
Other receivables	57	132	-	50
Total	14,638	12,520	196	30,203
Current portion	14,638	12,520	196	30,203

The Directors consider that the carrying value of trade and other receivables approximates their fair value. A prior year adjustment has been made to recognition of receivables relating to insurance transactions as set out in note 30. During the year, a significant number of aged balances that had previously been fully provided for were written off the ledgers (CDL £2,112k, eSystem £790k).

18 Cash and cash equivalents

	Consolidated		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Current accounts	1,588	2,042	-	-
Client accounts	4,139	3,473	-	-
Total	5,727	5,515	-	-

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	Restated 31		
	2017	December	2017	2016
	£000	£000	£000	£000
Payable relating to insurance transactions	3,920	3,381	-	-
Trade payables	5,142	4,724	-	-
Amounts due to Group undertakings (note 29)	-	-	14,814	31,705
Amounts due to parent undertakings (note 29)	180	180	-	-
Tax and social security	3,386	779	-	-
Accruals and deferred income	3,708	3,105	238	487
Other payables	3,715	3,091	-	-
Total	20,051	15,260	15,052	32,192

The Directors consider that the carrying value of trade and other payables approximates their fair value. A prior year adjustment has been made to recognition of receivables relating to insurance transactions as set out in note 30.

Notes to the Financial Statements
for the year ended 31 December 2017 (continued)

20 Borrowings

	Consolidated		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Current borrowings				
Loan from parent undertaking (note 29)	18,534	22,199	-	3,665
Total current borrowings	18,534	22,199	-	3,665
Non current borrowings				
Other loans	-	-	-	-
Total non current borrowings	-	-	-	-
Total borrowings	18,534	22,199	-	3,665

The repayment profile of borrowings is as follows:

	Consolidated		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Amounts falling due within one year or on demand				
Loan from parent undertaking (note 29)	18,534	22,199	-	3,665
	18,534	22,199	-	3,665
Amounts falling due between one and two years				
Other loans	-	-	-	-
Total borrowings	18,534	22,199	-	3,665

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.

Notes to the Financial Statements
for the year ended 31 December 2017 (continued)

21 Financial instruments

Financial Assets	Consolidated				Company			
	Carrying amount 2017 £000	Fair value 2017 £000	Carrying amount 2016 £000	Fair value 2016 £000	Carrying amount 2017 £000	Fair value 2017 £000	Carrying amount 2016 £000	Fair value 2016 £000
Loans and receivables								
Cash and cash equivalents	5,727	5,727	5,515	5,515	-	-	-	-
Contract acquisition costs, contract assets and receivables excluding prepayments	34,193	34,193	30,483	30,483	196	196	30,096	30,096
Total financial assets	39,920	39,920	35,998	35,998	196	196	30,096	30,096

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.

	2017 £000	2016 £000
Contract Assets		
Less than 12 months	11,551	9,186
12 – 24 months	5,476	5,517
24 – 36 months	1,793	2,005
Over 36 months	687	1,474
Total	19,507	18,182

None of the contract assets stated above are considered to be past due or impaired. Other than cash held at bank, all other counterparties are unrated.

Financial Liabilities	Consolidated				Company			
	Carrying amount 2017 £000	Fair value 2017 £000	Carrying amount 2016 £000	Fair value 2016 £000	Carrying amount 2017 £000	Fair value 2017 £000	Carrying amount 2016 £000	Fair value 2016 £000
Liabilities measured at amortised cost								
Loans and borrowings	18,534	18,534	22,199	22,199	-	-	3,665	3,665
Trade and other payables excluding statutory liabilities	19,010	19,010	17,404	17,404	15,052	15,052	32,192	32,192
Total financial liabilities	37,544	37,544	39,603	39,603	15,052	15,052	35,857	35,857

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.

Notes to the Financial Statements
for the year ended 31 December 2017 (continued)

22 Provisions for liabilities and charges

	Consolidated					Total £000
	Cancellation £000	Onerous Contracts £000	Restructuring £000	Lysander £000	Dilapidations £000	
Balance at 1 January 2017	433	339	-	(63)	150	859
Provisions made during the year	187	263	260	-	187	897
Provisions used during the year	(182)	(339)	-	63	(150)	(608)
Balance at 31 December 2017	438	263	260	-	187	1,148

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 2016 was utilised against a number of lead generation contracts. Onerous contracts at 31 December 2017 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.

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.

Group Direct Marketing Limited held a balance at the end of 2016 in relation to a rental incentive provision for Lysander House in Bristol. This was fully utilised in the first quarter of 2017.

The provision for dilapidations was re-assessed at 31 December 2017. Provisions previously held were released and new provisions calculated for each lease held by the Group.

Notes to the Financial Statements
for the year ended 31 December 2017 (continued)

23 Deferred tax

Consolidated		
	2017	Restated*
	£000	2016
		£000
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	6,048	5,594
Deferred tax asset to be recovered within 12 months	-	-
At 31 December	6,048	5,594

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	Prior year adjustment £000	Total £000
At 1 January 2016 (restated)	290	1,545	-	-	1,835
Losses arising in 2016	-	1,021	-	-	1,021
Credited/(charged) to Statement of Profit and Loss and Other Comprehensive Income	29	2,753	(44)	-	2,738
At 31 December 2016 (restated)	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
Balance at 31 December 2017	411	5,792	(155)	-	6,048

*see note 30.

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 2017 amounted to £31m (2016: £24.8m) and the value of the deferred tax asset which has not been recognised at a rate of 17% amounted to £5.2m (2016: £4.2m).

Notes to the Financial Statements
for the year ended 31 December 2017 (continued)

24 Share capital and premium

The issued share capital of the Company was as follows:

	2017	2016
	£000	£000
Allotted, called up and fully paid		
4,219,095,417 (2016: 3,209,110,817) ordinary shares of £0.01 each	42,191	32,091

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 2016	3,209,110,817	32,091	36,868
Shares issued during the year (refer below)	1,009,984,600	10,100	-
As at 31 December 2017	4,219,095,417	42,191	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 27 February 2017 the Company issued 125,000,000 ordinary shares at par for cash consideration to its immediate parent undertaking, Belvedere Bidco Limited. On the same date the Company issued a further 366,484,600 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 20 December 2017 the Company issued a further 248,500,000 ordinary shares at par for cash consideration to its immediate parent undertaking, Belvedere Bidco Limited. On the same date the Company issued an additional 270,000,000 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.

Notes to the Financial Statements
for the year ended 31 December 2017 (continued)

25 Obligations under finance leases

	2017 £000	2016 £000
Minimum lease payments		
Within one year	188	-
Between one and five years	577	-
Later than five years	-	-
	765	-
Future finance charges on finance leases	(148)	-
Present value of finance leases	617	-
Present value of minimum lease payments		
Within one year	128	-
Between one and five years	489	-
Later than five years	-	-
	617	-
Analysed as:		
Current	128	-
Non-current	489	-
	617	-

26 Cash generated from/(used in) operations

	Consolidated		Company	
	2017	Restated*	2017	2016
	£000	£000	£000	£000
(Loss) before income tax	(10,209)	(6,872)	(13,506)	(2,851)
Adjustments for:				
Depreciation	692	429	-	-
Amortisation of intangible assets	3,330	2,418	-	-
Impairment of intangible assets	2,307	-	4,304	-
Finance charges - net	42	20	-	(34)
Changes in working capital				
Trade and other receivables	1,590	(3,975)	26,342	(3,495)
Trade and other payables	5,409	707	(17,140)	7,797
Contract acquisition costs	(909)	-	-	-
Contract assets	(1,325)	(3,189)	-	-
Provisions	289	(3,014)	-	-
Cash generated from/(used in) operations	1,216	(13,476)	-	1,417

*see note 30

Notes to the Financial Statements

for the year ended 31 December 2017 (continued)

27 Commitments

Capital commitments

Group and Company

There were no capital commitments at 31 December 2017 (2016: 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 2017 the Group had annual commitments under non-cancellable operating leases as follows:

	2017		2016	
	Land & Buildings £000	Other £000	Land & Buildings £000	Other £000
In one year or less	393	15	496	42
Between one and five years	1,485	-	1,572	-
Over 5 years	1,293	-	-	-
Total	3,171	15	2,068	42

28 Changes in accounting policies

The Group has early applied IFRS 15 *Revenue from Contracts with Customers* with a date of initial application of 1 January 2017, using the cumulative effect method. By using this method the comparative information has not been restated as the cumulative effect of initially applying IFRS 15 has been recognised as an adjustment to the opening balance of equity at 1 January 2017. The adjustment to opening reserves was £651k less a deferred tax impact of £111k; this resulted in a total net adjustment of £540k.

The following tables summarise the impacts of adopting IFRS 15 on the Group's consolidated financial statements for the year ending 31 December 2017.

Statement of financial position

	As reported £000	Adjustments £000	Balance without adoption of IFRS 15 £000
Contract acquisition costs (non-current)	1,560	(1,560)	-
Trade and other receivables	14,638	-	14,638
Deferred tax asset	6,048	266	6,314
Other	70,131	-	70,131
Total assets	92,377	(1,294)	91,083
Total liabilities	40,350	-	40,350
Retained earnings	(29,562)	1,294	(30,856)
Other	81,589	-	81,589
Total equity	52,027	1,294	50,733

Notes to the Financial Statements
for the year ended 31 December 2017 (continued)

Statement of profit or loss and other comprehensive income

	Year ended 31 December 2017 As reported £000	Adjustments £000	Balance without adoption of IFRS 15 £000
Revenue	42,170	-	42,170
Cost of sales	(14,337)	(909)	(15,246)
Other	(38,042)	-	(38,042)
Income tax credit	565	155	720
Loss for the period	(9,644)	(754)	(10,398)
Total comprehensive income	(9,644)	(754)	(10,398)

Statement of cash flows

	Year ended 31 December 2017 As reported £000	Adjustments £000	Balance without adoption of IFRS 15 £000
(Loss) before income tax	(10,209)	(909)	(11,118)
Adjustments for			
Depreciation/Amortisation/Impairment	6,329	-	6,329
Finance costs - net	42	-	42
Changes in working capital			
Trade and other receivables	1,590	-	1,590
Trade and other payables	5,409	-	5,409
Contract acquisition costs	(909)	909	-
Contract assets	(1,325)	-	(1,325)
Provisions	289	-	289
Net cash from operating activities	1,216	-	1,216

Notes to the Financial Statements
for the year ended 31 December 2017 (continued)

29 Related party transactions

The following transactions were carried out with related parties:

	Consolidated		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Transactions with group undertakings				
Sales				
Brightside Insurance Services Limited	-	-	3,045	-
Purchases				
Brightside Insurance Services Limited	-	-	3,045	-
Year end balances arising from trading transactions				
Receivables from related parties				
Injury QED Limited	-	-	31	31
Group Direct Marketing Limited	-	-	-	14,542
Brightside Insurance Services Limited	-	-	-	9,308
Panacea Finance Limited	-	-	-	6,000
Parent undertakings (See below)	11,392	7,612	165	165
	11,392	7,612	196	30,046
Payables to related parties				
Group Direct Marketing Limited	-	-	13,335	27,876
Brightside Insurance Services Limited	-	-	1,479	3,564
Panacea Finance Limited	-	-	-	265
Parent undertakings (See below)	18,714	22,379	-	3,665
	18,714	22,379	14,814	35,370

Parent undertakings

Transactions between the Group and parent undertakings were as follows:

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Payables due to Parent undertakings				
Belvedere Bidco Limited (note 20)	18,534	22,199	-	3,665
Belvedere Bidco Limited (note 19)	140	140	-	-
Belvedere Midco Limited (note 19)	40	40	-	-
	18,714	22,379	-	3,665
Receivables due from Parent undertakings				
Belvedere Bidco Limited (note 17)	11,136	7,420	-	-
Belvedere Midco Limited (note 17)	115	98	75	75
Belvedere Holdings (Guernsey) Limited (note 17)	141	94	90	90
	11,392	7,612	165	165

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

Notes to the Financial Statements
for the year ended 31 December 2017 (continued)**30 Prior year adjustment**Medical Reporting

A review was undertaken to assess the appropriateness of Injury QED's historical basis of revenue recognition. The variability of the Company's revenue model means that the amount received will often depend on the outcome of the underlying court case. It was concluded that management's previous estimates of revenue had not been adequate because they had not taken account of the variable risk profiles and outcomes associated with long tail, specialist cases.

Management had not fully considered the impact of the changing mix of business during 2015 and 2016 towards these more specialist cases. Management had initially combined these variable revenues with steadier income streams as opposed to modelling their outcomes separately. This resulted in the initial revenue recognition for these specialist cases being higher than was reliably measurable based upon available data. As a result, a significant prior year adjustment was made taking into account the difference in the cases and modelling their expected outcome from initial recognition. The reassessment of revenue during 2017 and prior periods considered the possible and probable outcome of cases together with the contractual arrangements in place with each of its solicitors.

The impact of the prior year adjustment on opening balances was a reduction in opening equity of £5.1m; comprising £6.1m reduction offset by a deferred tax credit of £1m at 31 December 2015.

Insurance Broking

Brightside Insurance Services Limited reviewed its accounting treatment in relation to its insurance receivables and insurance payables balances. Historically, the Company included amounts in the insurance receivables and payables balances representing premiums receivable from policyholders, claims receivable from insurers, premiums payable to insurers and claims payable to policyholders. Insurance cash balances effectively represented cash in transit between policyholders and insurers.

The Company has decided that the insurance premium element of the receivables and payables balances should not be 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, it is accepted that recognition at that point is made with a corresponding liability.

Whilst this has nil impact on profit or loss, comparatives have been restated in order to show the balances held as insurance receivables and payables consistently, as shown in the table below. The effect of the prior year adjustment is not considered significant therefore the statement of financial position as at 31 December 2015 is not included.

Notes to the Financial Statements
for the year ended 31 December 2017 (continued)

<i>Statement of financial position</i>	As previously reported £000	Adjustments £000	As restated £000
Contract asset	-	14,993	14,993
Trade and other receivables	30,369	(21,117)	9,252
Deferred tax asset	793	1,042	1,835
Others	53,245	-	53,245
Total assets	84,407	(5,082)	79,325
Trade and other payables (current)	(17,476)	-	(17,865)
Others	(27,358)	-	(27,358)
Total liabilities	(44,834)	-	(42,223)
Retained earnings	12,263	5,082	17,345
Others	(51,836)	-	(51,836)
Total equity at 31 December 2015	(39,573)	5,082	(34,491)
Contract asset	-	18,182	18,182
Trade and other receivables	41,127	(28,607)	12,520
Deferred tax asset	4,318	1,276	5,594
Others	53,053	-	53,053
Total assets	98,498	(9,149)	89,349
Trade and other payables (current)	(18,183)	2,923	(15,260)
Others	(23,058)	-	(23,058)
Total liabilities	(41,241)	2,923	(38,318)
Retained earnings	14,232	6,226	20,458
Others	(71,489)	-	(71,489)
Total equity at 31 December 2016	(57,257)	6,226	(51,031)

Statement of profit or loss and OCI

	As previously reported £000	Adjustments £000	As restated £000
For the year ended 31 December 2016			
Revenue	49,389	(1,378)	48,011
Income tax credit	3,525	234	3,759
Others	(54,883)	-	(54,883)
Profit	(1,969)	(1,144)	(3,113)
Total comprehensive income	(1,969)	(1,144)	(3,113)

The prior year adjustments had no impact on cash flows during the period.

Notes to the Financial Statements
for the year ended 31 December 2017 (continued)**31 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.

32 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 2017 the liability due to HM Revenue and Customs under the group VAT registration was £277,395 (2016: £118,623).

The risk of claims for errors and omissions 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 2017, an amount of £20,000 was held by the Group (2016: £20,000).

33 Post balance sheet events

In June 2018, the ownership of the Brightside Park building and land was transferred from MMT Centre Investments Limited to Brightside Group Limited by way of dividend in specie.

On 16 July 2018 the Company issued a further 91,500,000 ordinary shares of £0.01 each at par for cash consideration to its immediate parent undertaking, Belvedere Bidco Limited. On the same date an additional 444,500,000 shares were issued to Belvedere Bidco Limited in exchange for set-off of an equal loan amount outstanding.