Company number 05941335

Brightside Group Limited

Report and Financial Statements
for the year ended 31 December 2020

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Company information

Company registration number:	05941335
Registered office:	Markerstudy House 45 Westerham Road Bessels Green Sevenoaks Kent TN13 2QB
Directors:	Kevin Spencer Keith Barber Michael Brittain
Company Secretary:	Christopher Payne
Bankers:	Lloyds Bank plc 10 Gresham Street London EC2V 7AE
Auditor:	PKF Littlejohn LLP Statutory Auditor 15 Westferry Circus Canary Wharf London E14 4HD

Brightside Group Limited

Report and Financial Statements
for the year ended 31 December 2020

Contents

Strategic Report
for the year ended 31 December 2020

The Directors present their Strategic Report for the year ended 31 December 2020.

Business Review and Future Developments

On 12th April 2021 the entire share capital of Brightside Group Ltd was acquired by Markerstudy Holdings Ltd. As of this date the Group is now a wholly owned subsidiary of Markerstudy Holdings ltd and operates within the group's Broking division. In addition the Kitsune MGA was acquired by XS Direct Ltd on 4th February 2021.

2020 was a difficult trading year for the Group with the impact of the Covid 19 pandemic causing a number of challenges – in March all staff were relocated from offices to be fully able to work from home, markets shrank as the country experienced a full lockdown meaning that growth plans for 2020 compromised.

Total revenue for the year was £33.0m which is down on 2019 revenues of £35.7m, as a result of the decision to not accept new instructions for the medical reporting business. Excluding the medical reporting business, revenues were £33.0m up 2% from 2019 of £32.4m Revenue comprises £31.3m from insurance broking activities (2019: £24.5m), £0m from medical reporting (2019: £3.3m), and £1.7m of other ancillary revenues (2019: £0.8m).

Performance Review and Key Performance Indicators

The performance of the Group is considered by reference to each of the principal activities of each trading entity as described below. The Directors use the key measure of operating profit before charges for depreciation, amortisation, impairment and reorganisation expenses ("Adjusted EBITDA") to assess the underlying financial performance of the Group as, in the opinion of the Directors, this measure best reflects the underlying profitability and cash generation of the Group. The Adjusted EBITDA for 2020 was £2.1m (2019: £5.0m).

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 coronavirus pandemic raised significant challenges for the Company in 2020, as noted below, and was the main driver for the reduction in income with £30.3m being a 4% decrease (2019: £31.6m). Gross written premium ("GWP") was £116m in 2020 (2019: £125m).

Medical reporting

Injury QED ceased new business instructions during 2019. The Company has continued to complete previous instructions and will now seek to maximise cash collections from its contract assets held at 31 December 2020.

Kitsune

During 2020, the Groups MGA continued to grow with Revenue of £2.6m (2019: £1.2m). The costs of running the business through the start up phase continued to be in excess of this income and a loss was posted for the year of £3.3m.

The Company was acquired by XS Direct on the 4th February 2021 and is no longer part of the group.

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:

	2020 £000	2019 £000
Loss before tax	**(6,460)**	**(9,246)**
Depreciation/amortisation/net interest (notes 12, 13 and 10)	3,851	4,167
Impairment charge (note 13)	-	1,138
Reorganisation and restructuring costs (note 6)	2,235	5,985
MGA set up costs	1,734	1,364
MGA commission slider provision (as explained below- 1)	772	1,640
Adjusted EBITDA	**2,132**	**5,048**

1- The MGA commission slider provision is management's estimate at the balance sheet date of the amount of provisional commission that is repayable to the MGA capacity provider at the end of the 18 month binder period. The calculation is based on management's best view of the loss ratio over the entire period of the binder.

The Adjusted EBITDA of the Group was £2.1m (2019: £5.0m).

Financial Risk Management Objectives and Policies

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

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

Liquidity risk

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

At the balance sheet date the Group had total cash balances of £6.9m (2019: £7.9m), contract acquisition costs of £4.0m (2019: £4.1m), contract assets of £5.8m (2019: £11.2m), trade and other receivables of £13.9m (2019: £13.0m) and total liabilities of £40.4m (2019: £41.0m).

The Group's major liquidity risk arises in Injury QED. Contract assets arising from the Medical reporting business of £5.8m at 31 December 2019 (2019: £11.2m) 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. The business has ceased to write new business instructions in 2019 and this will reduce the working capital requirement going forward.

Trade and other receivables in relation to insurance transactions were £0.7m at 31 December 2020 (2019: £1.1m). Amounts due from policyholders are realised at the point of sale or within 30 days of the transaction for those customers who choose to pay by instalment through the Groups' premium finance provider.

The Group's non-derivative financial liabilities are analysed into Borrowings and Trade and other payables. The maturity profile of the borrowings of £23.5m at the 31 December 2020 (2019: £18.5m) is shown in note 20 to the financial statements.

The loans from parent undertakings are interest free and repayable on demand. During 2020 the Company entered into a loan agreement supported by CBILS for £5m, the rate of interest payable on this loan is 7% per annum.

Trade and other payables at 31 December 2020 were £12.1m (2019: £17.8m) 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, and the CBILS loan is a fixed rate of 7% per annum.

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 £13.9m (2019: £13.0 m). Of this amount, £0.7m (2019: £1.1m) related to amounts due in respect of broking business roughly equating to one month's commission and fee income. Remaining balances of £13.2m (2019: £11.9m) relates to trade receivables, prepayments, accrued income and amounts due from parent undertakings.

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

Financial liabilities

Financial liabilities comprises of loans with parent undertakings and the CBILS loan as described in note 20 to the financial statements. The weighted average interest paid on the bank borrowings during the year ended 31 December 2020 was nil (2019: nil).

Financial assets

The Group does not hold any fixed rate financial assets (2019: 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 11% in 2020 (2019: negative return of 16%).

The gearing ratio (calculated as total borrowings over total equity) of the Group increased during the year from 48% at 31 December 2019 to 72% at 31 December 2020.

Group Operational Risks and Uncertainties

Broking Insurer security

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

Brexit

The UK officially left the European Union on 31 January 2020 with a transition period ending 31 December 2020. This remains an area of significant economic uncertainty for the group. The key implications for the Group's customers in the event of 'No-Deal' are: (i) Broking - continuity of service from insurers whose capacity is based within the EU; (ii) MGA – continuity of capacity provision based in Malta; and (iii) Group – ensuring policyholders are able to drive within the EU (via the provision of green cards).

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

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

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

Coronavirus

The Group was excited by the prospects for 2020 however the impact of the Covid-19 pandemic has meant the business has had to cope with the challenges that Covid-19 has brought, notably the need to invest in technology to allow employees to work from home, but also a reduction in income particularly during the lockdown phase where staff availability and customer demand were reduced. The Directors believe that the business is well placed to grow strongly and that underlying performance of the business remains on track.

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. The business took the decision to cease new business instructions with effect from 1 June 2019 and has removed themselves from the Medco portal.

Client concentration

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

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

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 28 September 2021 and signed on its behalf by:

Keith Barber
Director

Date: 28 September 2021

Directors Report
for the year ended 31 December 2020

The Directors submit their report and the audited Financial Statements for the year ended 31 December 2020.

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, managing general agency, lead generator, and provider of software and web services.

Dividends

No dividends were paid to the shareholders of the Company during the year (2019: £nil).

Directors

The Directors who served during the year were as follows:

Executive Directors	
John Derek Henry	(resigned 12 April 2021)
William Slade	(resigned 12 April 2021)
Brendan McCafferty	(resigned 12 April 2021)
Richard Beaven	(resigned 12 April 2021)
Non-executive Directors	
Robert Massey	(resigned 12 April 2021)
Neil Macmillan	(resigned 29 February 2020)

Company secretary

Susan Tippetts	(resigned 25 June 2021)

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

In January 2020, the Group was awarded with a Silver Medal CSR rating from Ecovardis, as a result of the improvements implemented during 2019 to actively reduce the Groups carbon footprint. The Group continues to develop and improve its policies and practices to reflect a clear ethical pathway that encompasses the Group's social and environmental responsibilities. During the year, the use and implementation of LED lighting has been extended to more of our Aust office and eco- friendly cleaning products are now utilised by our cleaning team. The Air Conditioning Units continue to be time restricted for use only in operational hours and have now been replaced with A++ energy efficient units and we continue to use energy efficient vending machines.

The Group recycles all mixed waste as well as confidential waste, which is outsourced to a third party, is also recycled. The Business is not paperless, however, we do promote customers receiving their policy documents electronically, but do provide paper copies where a customer specifically opts in to receive them.

Political and Charitable Donations

No political donations were made by the Group during the year (2019: nil). Previously the Group oversaw the charitable donations from its employees through the 'Brightside Helps' scheme. However, this year the group has decided to promote and support staff organised charitable events instead, such as for Save the Children, Children in Need, Comic Relief and the Macmillan Cake mornings. We have also continued to donate Easter Egg collections for local Children's hospices and support Christmas at local food banks. We have donated to two new charities that have been hit as a result of the Covid-19 virus. These charities are The Jessie May Trust and Southmead Hospital Charitable Trust.

Community work

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

Going concern

These accounts have been prepared on a going concern basis as the directors believe that the Company and the Group has sufficient funds for the foreseeable future (and being at least 12 months from the date of signing these accounts) to meet their liabilities as they fall due, based on the availability of the support of its new parent undertaking, the Markerstudy Group.

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 unaware; 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.

Directors Report
for the year ended 31 December 2020

Auditor

Under section 487(2) of the Companies Act 2006, PKF Littlejohn LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

Approved by the Board on 28 September 2021 and signed on its behalf by:

Keith Barber
Director
Markerstudy House
45 Westerham Road
Bessels Green
Sevenoaks
Kent
TN13 2QB

Date: 28 September 2021

Statement of Directors' Responsibilities
for the year ended 31 December 2020

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 financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards prepared in conformity with the requirements of the Companies Act 2006 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 in conformity with the requirements of the Companies Act 2006;
- 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
for the year ended 31 December 2020

Opinion

We have audited the financial statements of Brightside Group Limited (the group and the 'company') for the year ended 31 December 2020 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Shareholders Equity, the Consolidated and Company Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) prepared in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the group and the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Emphasis of matter

We draw your attention to Note 2(ii) Going Concern which states that the ability of the directors to prepare the accounts on a going concern basis is dependent on the availability of group support provided by its new parent undertaking, Markerstudy Group Limited.

Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and company and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussion with management, application of cumulative audit knowledge and experience of the sector
- We determined the principal laws and regulations relevant to the company in this regard to be those arising from FCA rules, Companies Act 2006 and UK tax legislation.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the company with those laws and regulations. These procedures included, but were not limited to:
    - Enquiries of Management as to if there had been any instances of non-compliance.
    - Review of Board Minutes to identify any instances of undisclosed non-compliance.
    - Review of the Breaches register kept in accordance with the CASS 5 requirements

Report of the Independent Auditor to the members of Brightside Group Limited
for the year ended 31 December 2020

  - Review of regulatory correspondence.
  - Review of legal expenses incurred in the year.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, the risk that the contract assets are overstated due to management bias.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Paul Goldwin (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor
Date: 28 September 2021

15 Westferry Circus
Canary Wharf
London E14 4HD

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2020

		Consolidated	
	Note	**2020** **£000**	2019 £000
Revenue	4	**33,053**	35,691
Cost of sales		**(9,715)**	(10,122)
Gross profit		**23,338**	25,569
Administrative expenses	5	**(29,407)**	(34,592)
Operating loss		**(6,069)**	(9,023)
Finance costs (net)	10	**(391)**	(223)
Loss before income tax		**(6,460)**	(9,246)
Income tax credit/(charge)	11	**1,403**	465
Loss for the year		**(5,057)**	(8,781)
Other comprehensive income		**-**	-
Total comprehensive income		**(5,057)**	(8,781)
Attributable to:			
The shareholder		**(5,057)**	(8,781)

The notes on pages 21 to 47 are an integral part of these consolidated financial statements.

Consolidated and Company Statement of Financial Position
for the year ended 31 December 2020

		Consolidated		Company	
	Note	**31 December 2020 £000**	31 December 2019 £000	**31 December 2020 £000**	31 December 2019 £000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**6,152**	5,880	-	-
Intangible assets	13	**29,704**	31,087	**26,443**	26,443
Investment in subsidiaries	14	-	-	**48,056**	99,445
Contract acquisition costs	15	**4,042**	4,125	-	-
Contract assets	16	**2,878**	6,337	-	-
Deferred tax asset	23	**6,500**	5,097	-	-
Total non-current assets		**49,276**	52,526	**74,499**	125,888
Current assets					
Contract assets	16	**2,937**	4,890	-	-
Trade and other receivables	17	**13,893**	13,046	**514**	514
Cash and cash equivalents	18	**6,908**	7,925	-	-
Total current assets		**23,738**	25,861	**514**	514
TOTAL ASSETS		**73,014**	78,387	**75,013**	126,402
EQUITY AND LIABILITIES					
Capital and reserves attributable to the shareholder					
Share capital	24	**48,251**	48,006	**48,251**	48,006
Share premium	24	**36,868**	36,868	**36,868**	36,868
Reverse acquisition reserve		**2,530**	2,530	**56,250**	56,250
Retained earnings		**(55,102)**	(50,045)	**(86,549)**	(33,591)
Total equity		**32,547**	37,359	**54,820**	107,533
Current liabilities					
Trade and other payables	19	**12,117**	17,764	**15,193**	18,869
Provisions for other liabilities and charges	22	**405**	632	-	-
Finance lease liabilities	25	**376**	424	-	-
Borrowings	20	**23,534**	18,534	**5,000**	-
Total current liabilities		**36,432**	37,354	**20,193**	18,869
Non current liabilities					
Finance lease liabilities	25	**1,424**	1,746	-	-
Provisions	22	**2,412**	1,640	-	-
Deferred income		**199**	288	-	-
Total non current liabilities		**4,035**	3,674	-	-
TOTAL EQUITY AND LIABILITIES		**73,014**	78,387	**75,013**	126,402

The parent company's loss for the year was £53.0m (2019 : £4.0m).

The notes on pages 21 to 47 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 28 September 2021 and were authorised for issue on its behalf by:

Keith Barber
Director
28 September 2021

Consolidated Statement of Changes in Shareholder's Equity
for the year ended 31 December 2020

	Share capital £000	Share Premium £000	Reverse Acquisition Reserve £000	Retained Earnings £000	Total £000
Equity as at 1 January 2019	**48,006**	**36,868**	**2,530**	**(41,093)**	**46,311**
Impact of change in accounting policy*	-	-	-	(171)	(171)
Adjusted balance at 1 January 2019	**48,006**	**36,868**	**2,530**	**(41,264)**	**46,140**
Comprehensive income					
Loss for the year to 31 December 2019	-	-	-	(8,781)	(8,781)
Total comprehensive income for the year	-	-	-	(8,781)	(8,781)
Transactions with the owners					
Issue of shares	-	-	-	-	-
Total transactions with shareholder	-	-	-	-	-
Equity as at 31 December 2019	**48,006**	**36,868**	**2,530**	**(50,045)**	**37,359**
Equity as at 1 January 2020	**48,006**	**36,868**	**2,530**	**(50,045)**	**37,359**
Comprehensive income					
Loss for the year to 31 December 2020	-	-	-	(5,057)	(5,057)
Total comprehensive income for the year	-	-	-	(5,057)	(5,057)
Transactions with the owners					
Issue of shares (note 24)	245	-	-	-	245
Total transactions with shareholder	245	-	-	-	245
Equity as at 31 December 2020	**48,251**	**36,868**	**2,530**	**(55,102)**	**32,547**

* See note 25

The notes on pages 21 to 47 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 2020 and 2019.

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 2020

	Attributable to the shareholder				
	Share capital £000	Share Premium £000	Reverse Acquisition Reserve £000	Retained Earnings £000	Total £000
Equity as at 1 January 2019	**48,006**	**36,868**	**56,250**	**(29,567)**	**111,557**
Comprehensive Income					
Loss for the year to 31 December 2019	-	-	-	(4,024)	(4,024)
Total comprehensive income for the year	-	-	-	(4,024)	(4,024)
Transactions with the owners					
Shares issued	-	-	-	-	-
Total transactions with the shareholder	-	-	-	-	-
Equity as at 31 December 2019	**48,006**	**36,868**	**56,250**	**(33,591)**	**107,533**
Comprehensive Income					
Loss for the year to 31 December 2020	-	-	-	(52,958)	(52,958)
Total comprehensive income for the year	-	-	-	(52,958)	(52,958)
Transactions with the owners					
Shares issued (note 24)	245	-	-	-	245
Total transactions with the shareholder	245	-	-	-	245
Equity as at 31 December 2020	**48,251**	**36,868**	**56,250**	**(86,549)**	**58,820**

The notes on pages 21 to 47 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 2020 and 2019.

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 2020

		Consolidated		Company	
	Note	**2020 £000**	2019 £000	**2020 £000**	2019 £000
Cash flows from operating activities					
Cash generated from operations	26	**(2,262)**	8,476	**(5,000)**	-
Income tax received		**-**	115	**-**	-
Net cash (used in)/generated from operating activities		**(2,262)**	8,591	**(5,000)**	-
Cash flows from investing activities:					
Payments to acquire property, plant and equipment		**(1,358)**	(2,166)	**-**	-
Payments to acquire intangible assets		**(991)**	(2,662)	**-**	-
Investment in subsidiary company		**-**	-	**(245)**	-
Net cash flows used in investing activities		**(2,349)**	(4,828)	**(245)**	-
Cash flows from financing activities:					
Issue of share capital	24	**245**	-	**245**	-
Proceeds from CBILS loan		**5,000**	-	**5,000**	-
Redemption of management shares in a parent undertaking		**-**	(65)	**-**	-
Redemption of management loan notes in a parent undertaking		**-**	(85)	**-**	-
Amounts paid on behalf of parent undertaking		**(1,260)**	(1,688)	**-**	-
Interest (paid)		**(391)**	(223)	**-**	-
Net cash flows generated from/(used in) financing activities		**3,594**	(2,061)	**5,245**	-
Net (decrease)/increase in cash and cash equivalents		**(1,017)**	1,702	**-**	-
Cash and cash equivalents at beginning of year		**7,925**	6,223	**-**	-
Cash and cash equivalents at end of year		**6,908**	7,925	**-**	-

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

1 General information

The principal activities of the Group are those of insurance broker, medical reporting agency and Managing General 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 Markerstudy House, 45 Westerham Road, Bessels Green, Sevenoaks, Kent, TN13 2QB.

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") prepared in conformity with the requirements of the Companies Act 2006, 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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 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 2020.

The standards, amendments and interpretations which became effective in 2020 (unless otherwise stated) were:

- IFRS 4 "Insurance Contracts" amendments (effective date 1 January 2020)
- IFRS 9 "Financial Instruments" amendments (effective date 1 January 2020)

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 2021 or later periods but which the Company has not early adopted:

- IFRS 3 "Definition of a Business" amendments (effective date 1 January 2022)
- IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" amendments (effective date 1 January 2022)

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 £53.0m (2019: loss of £4.0m) after the inclusion of Reorganisation expenses of £0.3m (2019: £1.8m) and impairment of subsidiary undertakings of £51.6m (2019: £1.1m).

iii) Basis of consolidation

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

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 Profit or Loss and Other 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 Profit or Loss and Other 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, based on the availability of the support provided by its new parent undertaking, the Markerstudy Group. A review of the annual budget and financial forecasts were used as the basis for reaching this conclusion.

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:

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
Right of use assets	Underlying length of the lease

Improvements to the building which are held under the freehold property category are depreciated in line with fixtures and fittings. Right-of-use assets identified under IFRS16 for the first time during 2019 are recognised at its carrying amount as if IFRS 16 had been applied at the commencement date of the underlying lease.

vi) Intangible assets

Separately identifiable intangible assets

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

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

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

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

Goodwill

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

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets', and is tested annually for impairment, and carried at cost less accumulated impairment losses. Impairment losses are charged to administrative expenses in the Statement of Profit or Loss and Other Comprehensive Income. As described in note 13 to the financial statements this includes the effect of a reassessment by the directors of the future level of cash flows to be derived from the goodwill acquired.

vii) Contract acquisition costs

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

viii) Contract assets

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

ix) Investment in subsidiary undertakings

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

x) Impairment of non financial assets

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

xi) Financial assets

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

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

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

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

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

The financial assets of the Company and Group have been secured against a bank borrowing provided to Belvedere Bidco Limited, a parent undertaking. The amount owing at the balance sheet date was £35.8m.

xii) Impairment of financial assets

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

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

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

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

Trade receivables at the 31 December 2020 do not have a significant financing component and as such, a provision matrix methodology is used to measure expected credit losses as set out in note 17.

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

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

xiii) Insurance broking receivables and payables

The Group acts as agents in placing the insurable risk of their clients with insurers and, as such, are not liable as principals for amounts arising from such transactions. The insurance premium element of debtor and creditor balances is not recognised in the Company's balance sheet before cash has been received as it does not represent an asset (or liability) under IFRS. When cash in relation to the premium has been received, recognition at that point is made with a corresponding liability. The amounts of the debtors, cash and creditors relating to insurance broking are disclosed separately in notes 17, 18 and 19 respectively.

xiv) Offsetting financial instruments

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

xv) Trade payables

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

xvi) Borrowings

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

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

Borrowing costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

xvii) Provisions

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

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

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

xviii) Share capital

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

xix) Taxation

The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference will be utilised. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

xx) Revenue recognition

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

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

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

The medical reporting business 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 to 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 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 lease liability. 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.

xxiii) Cash and cash equivalents

Cash and cash equivalents comprise all cash balances, cash held in office accounts and client accounts. At 31 December 2020, 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 judgements

Estimates and judgements 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 2020 is £26.4m (2019: £26.4.6m), and for the Group is £26.4m (2019: £26.4m). The value of goodwill stated for the Company at December 2020 is stated after a charge for impairment in the year of £nil (2019: £1.1m) arising from the impairment test carried out at 31 December 2020, and for the Group was £nil (2019: £1.1m) 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.

Revenue recognition- MGA

As agent of the insurer, the Company recognises provisional commission on each transaction in accordance with the Business Producer Agreement between the Company and the capacity provider. The provisional commission is adjustable based on the Net Earned Loss Ratio over the 24 month binder period. Provision is made at the accounting year end for the likely adjustment to provisional commission based on management's estimate of the net earned loss ratio.

Claims handling costs- MGA

The Company outsources claims handling to a third party. Claims handling costs are provided for based on the expected accident frequency of claims incurred from policies sold in the period plus provision for incurred but not yet reported claims. The estimate is calculated based on management's view of the number and type of claims that will be incurred on policies sold in the period and in accordance with the claims handling outsource agreement.

Contract acquisition costs

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

Trade and other receivables - broking

The Group had total trade and other receivables at the balance sheet date of £13.9m (2019: £13.0m). Of this amount £0.6m (2019: £1.1m) related to amounts due in respect of insurance transactions.

Provision has been made against insurance receivables of £5.4m (2019: £3.6m). 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 2020, the deferred tax asset balance recognised in Brightside Insurance Services Limited was £6.5m (2019: £5.1m). The asset resulted from historical trading losses and accelerated capital allowances. These losses can only be utilised against projected future profits. The recoverability of the deferred tax asset has been assessed based on the pre-tax cash flows obtained from financial budgets approved by management covering the five year period ended 31 December 2025.

4 Revenue by nature

The breakdown of revenue by category is as follows:

	2020 £000	2019 £000
Insurance broking commission and fees	**23,146**	22,961
Premium finance income	**6,853**	7,040
Other insurance income	**1,312**	1,560
Income from insurance activities	**31,311**	31,561
Medical reporting	**67**	3,282
Other income	**1,675**	848
Total	**33,053**	35,691

All revenue is derived from the United Kingdom.

5 Administrative expenses

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

	2020 £000	2019 £000
Depreciation charge (note 12)	**1,086**	946
Amortisation of intangible assets (note 13)	**2,374**	2,997
Employee benefit expense (note 8)	**16,324**	18,328
Impairment (note 13)	**-**	1,138
Operating lease rentals – Other	**6**	5
Auditor's remuneration (note 7)	**146**	138
Reorganisation expenses (note 6)	**2,235**	5,985

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:

	2020 £000	2019 £000
Costs and provisions	**2,235**	5,985
	2,235	5,985

The amount charged in relation to costs and provisions comprises strategic investment spend on a number of process improvement projects of £1.2m (2019: £1.6m), IT contract costs £0.8m (2019: £1.5m), redundancy and reorganisation staff costs £nil (2019: £2.3m), legal and other professional fees £0.4m (2019: £0.2m), IQED reorganisation credit of £0.3m (2019: £0.3m cost) and other £0.1m.

7 Auditor remuneration

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

	2020 £000	2019 £000
Fees payable to the company's auditor for the audit of the parent company and consolidated financial statements	**18**	18
Fees payable to the company's auditor and its associates for other services:		
- The audit of the company's subsidiaries pursuant to legislation	**110**	102
- Other services pursuant to legislation	**18**	18
Total	**146**	138

8 Employee benefit cost

	2020 £000	2019 £000
Wages and salaries	**14,654**	16,393
Social security costs	**1,287**	1,542
Pension costs	**383**	393
Total	**16,324**	18,328

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

	2020 Number	2019 Number
Directors	**6**	6
Sales and administration	**484**	493
Total	**490**	499

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

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

9 Directors remuneration

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

	2020 £000	2019 £000
Salaries and fees	**1,299**	1,235
Benefits	**198**	191
Bonus	**402**	261
Compensation for loss of office	**-**	403
Total remuneration	**1,899**	2,090

During the year retirement benefits were accruing to 6 directors (2019: 7) in respect of defined contribution pension schemes.

Mr Massey 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 £593,000 (2019: £469,000). The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (2019: £nil).

10 Finance costs

	2020 £000	2019 £000
Lease interest	**180**	223
Other interest expense	**211**	-
Net finance costs	**391**	223

11 Income tax credit

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

	2020 **£000**	2019 £000
Current Tax		
Current tax on profits in period	-	-
Adjustments in respect of prior periods	-	(115)
		(115)
Deferred Tax (note 23)		
Origination and reversal of temporary differences	**(3)**	15
Tax losses carried forward	**(1,400)**	(365)
Movement on deferred tax asset	-	-
Income tax (credit) for the year	**(1,403)**	(465)

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

	2020 **£000**	2019 £000
Loss before taxation	**(6,460)**	(9,246)
Loss on ordinary activities multiplied by the average standard rate of corporation taxation of 19% (2019: 19%)	**(1,227)**	(1,757)
Effects of:		
Amounts not deductible for tax purposes	**221**	18
Amounts surrendered by group companies	**(38)**	(130)
Adjustments in respect of prior periods	-	(115)
Origination and reversal of temporary differences	**7**	7
Unrelieved tax losses arising in the period	**762**	-
Impairment of goodwill	-	216
Difference between corporation tax and deferred tax rate	**(1,128)**	1,296
Income tax (credit) for the year	**(1,403)**	(465)

12 Property, plant and equipment

	Consolidated - 2020				
	Freehold property £000	Fixtures, fittings and equipment £000	Right-of-use assets £000	Computer hardware £000	Total £000
Cost					
Balance at 1 January 2020	3,101	1,254	1,890	4,223	10,468
Additions	-	12	-	91	103
Write offs/fully depreciated assets	-	(84)	-	(226)	(310)
Transfers from AICC	-	60	-	1,195	1,255
Balance at 31 December 2020	**3,101**	**1,242**	**1,890**	**5,283**	**11,516**
Depreciation and impairment losses					
Balance at 1 January 2020	(397)	(910)	(276)	(3,005)	(4,588)
Depreciation	(38)	(118)	(276)	(654)	(1,086)
Write offs/fully depreciated assets	-	84	-	226	310
Transfers	-	-	-	-	-
Balance at 31 December 2020	**(435)**	**(944)**	**(552)**	**(3,433)**	**(5,364)**
Net book value					
At 1 January 2020	2,704	344	1,614	1,218	5,880
At 31 December 2020	**2,666**	**298**	**1,338**	**1,850**	**6,152**

The net book value of computer hardware and fixtures and fittings held under finance leases is £15k and £40k respectively.

The right-of-use asset category relates to two property lease rental agreements (Southampton and Torquay offices) after adopting IFRS16 on 1 January 2019. The Company recognised the right-of-use asset at its carrying amount as if IFRS 16 had been applied at the commencement date of the lease.

	Consolidated - 2019				
	Freehold property £000	Fixtures, fittings and equipment £000	Right-of-use assets £000	Computer hardware £000	Total £000
Cost					
Balance at 1 January 2019	3,101	1,080	-	3,541	7,722
Additions	-	102	1,890	174	2,166
Transfers	-	72	-	508	580
Balance at 31 December 2019	**3,101**	**1,254**	**1,890**	**4,223**	**10,468**
Depreciation and impairment losses					
Balance at 1 January 2019	(354)	(822)	-	(2,466)	(3,642)
Depreciation	(43)	(88)	(276)	(539)	(946)
Transfers	-	-	-	-	-
Balance at 31 December 2019	**(397)**	**(910)**	**(276)**	**(3,005)**	**(4,588)**
Net book value					
At 1 January 2019	2,747	258	-	1,075	4,080
At 31 December 2019	**2,704**	**344**	**1,614**	**1,218**	**5,880**

The depreciation charge for 2020 and 2019 has been included within Administrative expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The borrowings of the parent undertaking are secured against the assets of the Group including the freehold property.

13 Intangible assets

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

	Consolidated - 2020				
	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 2020	45,621	20,721	22,000	135	88,477
Additions	-	-	361	1,885	2,246
Write offs/fully amortised assets	-	-	(948)	-	(948)
Transfers	-	-	736	(1,991)	(1,255)
Balance at 31 December 2020	**45,621**	**20,721**	**22,149**	**29**	**88,520**
Amortisation and impairment losses					
Opening balance as at 1 January 2020	(19,178)	(20,721)	(17,491)	-	(57,390)
Amortisation	-	-	(2,374)	-	(2,374)
Write offs/fully amortised assets	-	-	948	-	948
Impairment	-	-	-	-	-
Balance at 31 December 2020	**(19,178)**	**(20,721)**	**(18,917)**	**-**	**(58,816)**
Net book amount at 31 December 2020	**26,443**	**-**	**3,232**	**29**	**29,704**

Assets in course of construction comprises capitalised staff costs and external implementation costs in relation to various software projects. The net book value of computer software held under finance leases is £188k.

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

	Consolidated - 2019				
	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 2019	45,621	20,721	18,081	1,972	86,395
Additions	-	-	957	1,705	2,662
Transfers	-	-	2,962	(3,542)	(580)
Balance at 31 December 2019	**45,621**	**20,721**	**22,000**	**135**	**88,477**
Amortisation and impairment losses					
Opening balance as at 1 January 2019	(18,040)	(20,721)	(14,494)	-	(53,255)
Amortisation	-	-	(2,997)	-	(2,997)
Impairment	(1,138)	-	-	-	(1,138)
Balance at 31 December 2019	**(19,178)**	**(20,721)**	**(17,491)**	**-**	**(57,390)**
Net book amount at 31 December 2019	**26,443**	**-**	**4,509**	**135**	**31,087**

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

	Company – 2020				
	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 2020	33,156	6,068	-	-	39,224
Balance at 31 December 2020	**33,156**	**6,068**	**-**	**-**	**39,224**
Amortisation and impairment losses					
Opening balance as at 1 January 2020	(6,713)	(6,068)	-	-	(12,781)
Amortisation	-	-	-	-	-
Impairment	-	-	-	-	-
Balance at 31 December 2020	(6,713)	(6,068)	-	-	(12,781)
Net book amount at 31 December 2020	**26,443**	**-**	**-**	**-**	**26,443**

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

	Company - 2019				
	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 2019	33,156	6,068	-	-	39,224
Balance at 31 December 2019	**33,156**	**6,068**	**-**	**-**	**39,224**
Amortisation and impairment losses					
Opening balance as at 1 January 2019	(5,575)	(6,068)	-	-	(11,643)
Amortisation	-	-	-	-	-
Impairment	(1,138)	-	-	-	(1,138)
Balance at 31 December 2019	(6,713)	(6,068)	-	-	(12,781)
Net book amount at 31 December 2019	**26,443**	**-**	**-**	**-**	**26,443**

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

Goodwill

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

The consolidated net book value of Goodwill at 31 December 2019 and 2020 for each cash generating unit was as follows:

	Consolidated				
	2019 £000 Cost	2019 £000 Impairment	2019 £000 NBV	**2020 £000 Impairment**	**2020 £000 NBV**
Taxi, OBIS and M&H business	2,203	-	2,203	-	**2,203**
eBike business	2,037	(1,138)	899	-	**899**
eCar business	23,341	-	23,341	-	**23,341**
Brightside Group business	-	-	-	-	-
IQED business	-	-	-	-	-
Quote Exchange business	-	-	-	-	-
Total	27,581	(1,138)	26,443	-	**26,443**

The total Group impairment at 31 December 2020 was £nil (2019: £1.138m) following the impairment review carried out as at 31 December 2020.

The recoverable amount of Goodwill calculated at 31 December 2020 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 2025 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% (2019: 11%) has been applied to all cash flow projections.

From the annual impairment review of the goodwill balances relating to Taxi, OBIS and M&H business and eCar 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 88% of the consolidated net book amount of goodwill at 31 December 2020, an increase in the discount rate from 11.0% to a revised assumption of 12% would cause the recoverable amount to fall by £4.2m but still remain above the carrying value. A reduction in expected net income by up to 10% has no impact on the carrying amount either.

For the Taxi, OBIS, and M&H business and eBike cash generating units, a revised assumption of 12% would cause the recoverable amount to fall by £3.0m which would lead to a further impairment on eBike of less than £0.1m.

The net book value of Goodwill in the Statement of Financial Position of the Company at 31 December 2019 and 2020 for each cash generating unit was as follows:

	Company				
	2019 £000 Cost	2019 £000 Impairment	2019 £000 NBV	**2020 £000 Impairment**	**2020 £000 NBV**
Taxi, OBIS and M&H business	2,203	-	2,203	-	**2,203**
eBike business	2,037	(1,138)	899	-	**899**
eCar business	23,341	-	23,241	-	**23,241**
Total	27,581	(1,138)	26,443	-	**26,443**

The impairment charge was required in 2020 was £nil following the impairment test (2019: £1.138m).

14 Investments in subsidiary undertakings

Company

	2020 £000	2019 £000
Shares in Group undertakings		
At 1 January	**99,445**	99,445
Addition	**245**	-
Impairment	**(51,634)**	-
At 31 December	**48,056**	99,445

On 21 December 2020 Brightside Group Limited subscribed for 245,000 ordinary shares of £1.00 each in the capital of Brightside Insurance Services Limited. The consideration for the subscription was for cash at par.

Investments in Group undertakings are stated at cost.

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

Direct Subsidiary Undertakings	Registered number	Class of shares	Proportion held	Principal activity
Injury QED Limited	06025278	Ordinary	100%	Medical Reporting
Brightside Insurance Services Limited	04137311	Ordinary	100%	Insurance Broker
Group Direct Marketing Limited	05602909	Ordinary	100%	Dormant Company
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 apart from Brightside Insurance Services Limited and Kitsune Associates Limited is Markerstudy House, 45 Westerham Road, Bessels Green, Sevenoaks, Kent, TN13 2QB. The registered office for Brightside Insurance Services Limited is Brightside Park, Severn Bridge, Aust, BS35 4BL. The registered office for Kitsune Associates Limited is Gateway House Tollgate, Eastleigh, Chandlers Ford, Hampshire, SO53 3TG.

All of these companies were 100% subsidiaries of the Group throughout 2020.

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

Dormant Companies	Registered number	Class of shares	Proportion held	Capital and reserves	Dissolved
Group Direct Limited	04312135	Ordinary	100%	£700	2 January 2018
Panacea Finance Limited	04307838	Ordinary	100%	£100,000	4 June 2019

15 Contract Acquisition Costs

Insurance broking contract acquistion costs	2020 £000	2019 £000
Balance at 1 January	**4,125**	2,319
Amortisation of prior year deferral	**(2,336)**	(1,388)
Deferral of current year contract costs	**2,253**	3,194
Total	**4,042**	4,125

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

16 Contract Assets

Medical Reporting contract asset	2020 £000	2019 £000
Non-current	**2,878**	6,337
Current	**2,937**	4,890
Total	**5,815**	11,227

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

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

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

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

17 Trade and other receivables

	Consolidated		Company	
	31 December 2020 £000	31 December 2019 £000	**2020 £000**	2019 £000
Receivables relating to insurance transactions	**6,003**	4,614	**-**	-
Less: provision for impairment of receivables	**(5,357)**	(3,553)	**-**	-
Insurance receivables - net	**646**	1,061	**-**	-
Trade receivables	**70**	132	**-**	-
Amounts due from Group undertakings (note 27)	**-**	-	**349**	349
Amounts due from parent undertakings (note 27)	**11,228**	9,943	**165**	165
Prepayments and accrued income	**1,934**	1,896	**-**	-
Other receivables	**15**	14	**-**	-
Total	**13,893**	13,046	**514**	514
Current portion	**13,893**	13,046	**514**	514

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

18 Cash and cash equivalents

	Consolidated		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Current accounts	**2,234**	1,590	**-**	-
Client accounts	**4,674**	6,335	**-**	-
Total	**6,908**	7,925	**-**	-

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 2020 £000	31 December 2019 £000	**2020 £000**	2019 £000
Payable relating to insurance transactions	**4,463**	6,356	**-**	-
Trade payables	**458**	2,056	**-**	-
Amounts due to Group undertakings (note 27)	**-**	-	**15,193**	18,869
Amounts due to parent undertakings (note 27)	**180**	180	**-**	-
Tax and social security	**2,015**	2,514	**-**	-
Accruals and deferred income	**2,499**	4,646	**-**	-
Other payables	**2,502**	2,012	**-**	-
Total	**12,117**	17,764	**15,193**	18,869

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

20 Borrowings

	Consolidated		Company	
	2020 **£000**	2019 £000	**2020** **£000**	2019 £000
Current borrowings				
Loan from parent undertaking	**18,534**	18,534	**-**	-
Other loans	**5,000**	-	**5,000**	
Total current borrowings	**23,534**	18,534	**5,000**	-
Non current borrowings				
Other loans	**-**	-	**-**	-
Total non current borrowings	**-**	-	**-**	-
Total borrowings	**23,534**	18,534	**5,000**	-

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.

Brightside Group Limited entered into a loan agreement supported by CBILS (Coronavirus Business Interruption Loan Scheme) for £5,000,000 with TC CBILS Funding Limited. The facility drawdown was made in full on 23 July 2020 and the repayment date is 48 months commencing on the drawdown date. The rate of interest payable on the loan is 7% per annum. On the 12th April 2021 the Group was acquired by Markerstudy Holdings Ltd, in a transaction which also resulted in the repayment of the CBILS loan in full.

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

21 Financial instruments

Financial Assets	Consolidated				Company			
	Carrying amount 2020 £000	**Fair value 2020 £000**	Carrying amount 2019 £000	Fair value 2019 £000	**Carrying amount 2020 £000**	**Fair value 2020 £000**	Carrying amount 2019 £000	Fair value 2019 £000
Loans and receivables								
Cash and cash equivalents	**6,908**	**6,908**	7,925	7,925	**-**	**-**	-	-
Contract acquisition costs, contract assets and receivables excluding prepayments	**21,816**	**21,816**	26,502	26,502	**514**	**514**	514	514
Total financial assets	**27,724**	**28,724**	34,427	34,427	**514**	**514**	514	514

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 company cash and cash equivalent balances are held in immediately accessible, current bank accounts.

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

Contract Assets	**2020 £000**	2019 £000
Less than 12 months	**2,937**	4,890
12 – 24 months	**570**	2,456
24 – 36 months	**292**	570
Over 36 months	**2,016**	3,311
Total	**5,815**	11,227

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

Financial Liabilities	Consolidated				Company			
	Carrying amount 2020 £000	**Fair value 2020 £000**	Carrying amount 2019 £000	Fair value 2019 £000	**Carrying amount 2020 £000**	**Fair value 2020 £000**	Carrying amount 2019 £000	Fair value 2019 £000
Liabilities measured at amortised cost								
Loans and borrowings	**23,534**	**23,534**	18,534	18,534	**-**	**-**	-	-
Trade and other payables excluding statutory liabilities	**10,162**	**10,162**	15,250	15,250	**15,193**	**15,193**	18,869	18,869
Total financial liabilities	**33,696**	**33,696**	33,784	33,784	**15,193**	**15,193**	18,869	18,869

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 (£18.5m) and has no exposure to interst rate risk as these borrowings are interest free. During 2020, Brightside Group Limited entered into a loan agreement supported by CBILS for £5m, the rate of interest payable on this loan is 7% per annum.

22 Provisions for liabilities and charges

Consolidated

	Cancellation £000	Commission slider £000	Dilapidations £000	**Total £000**
Balance at 1 January 2020	**475**	**1,640**	**157**	**2,272**
Provisions made during the year	-	772	-	**772**
Provisions used during the year	(170)	-	(57)	**(227)**
Balance at 31 December 2020	**305**	**2,412**	**100**	**2,817**

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 customers default on their committed instalment plans.

The commission slider provision relates to the MGA's Business Producer Agreement with its capacity provider. The Company earns a provisional commission of 42.5% in return for the performance obligations contained within the contract. The 42.5% is provisional and linked to the sliding scale based on Net Earned Loss Ratio ("NELR") over the period of the 18 month binder. This calculation will be performed at the end of the initial binder period on 30 June 2020 and payable in June 2022. Management's estimate of the provision at 31 December 2020 is based on the maximum provision as prescribed in the business producer agreement.

The provision for dilapidations at 31 December 2020 relates to two of the current broking offices in Southampton and Torquay.

23 Deferred tax

Consolidated	2020 £000	2019 £000
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	**6,500**	5,097
Deferred tax asset to be recovered within 12 months	-	-
At 31 December	**6,500**	5,097

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

Consolidated	Accelerated Tax Depreciation £000	Unutilised trading losses £000	Adjustments on the tax on the opening balances £000	**Total £000**
At 1 January 2019	425	4,477	(155)	4,747
Losses arising in 2019	-	365	-	365
Charged to Statement of Profit and Loss and Other Comprehensive Income	(15)	-	-	(15)
At 31 December 2019	**410**	**4,842**	**(155)**	**5,097**
Losses arising in 2020	-	1,400	-	**1,400**
Charged to Statement of Profit and Loss and Other Comprehensive Income	3	-	-	**3**
Balance at 31 December 2020	**413**	**6,242**	**(155)**	**6,500**

The unutilised historic trading losses were incurred by Brightside Insurance Services Limited. Management forecasts are that Brightside Insurance Services Limited 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 2020 amounted to £3.6m (2019: £2.7m) and the value of the deferred tax asset which has not been recognised at a rate of 19% amounted to £0.7m (2019: £0.5m).

24 Share capital and premium

The issued share capital of the Company was as follows:

	2020 £000	2019 £000
Allotted, called up and fully paid		
4,825,095,417 (2019: 4,800,595,417) ordinary shares of £0.01 each	**48,251**	48,006

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 2019	4,800,595,417	48,006	36,868
Shares issued during the year (refer below)	24,500,000	245	-
As at 31 December 2020	4,825,095,417	48,251	36,868

On 21 December 2020 the Company issued 24,500,000 ordinary shares of £0.01 each at par for cash consideration to its immediate parent undertaking, Belvedere Bidco Limited.

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.

25 Lease liabilities

	Property leases 2020 £000	PPE & software 2020 £000	**Total lease liability 2020 £000**	Property leases 2019 £000	PPE & software 2019 £000	Total lease liability 2019 £000
Minimum lease payments						
Within one year	380	137	**517**	398	235	633
Between one and five years	1,293	110	**1,403**	1,349	151	1,500
Later than five years	323	-	**323**	647	-	647
	1,996	247	**2,243**	2,394	386	2,780
Future finance charges on finance leases	(416)	(27)	**(443)**	(561)	(49)	(610)
Present value of finance leases	1,580	220	**1,800**	1,833	337	2,170
Analysed as:						
Current	258	118	**376**	253	171	424
Non-current	1,322	102	**1,424**	1,580	166	1,746
Total lease liabilities	1,580	220	**1,800**	1,833	337	2,170

Property leases relate to two property agreements previously classified as operating leases. From 1 January 2019, the Group recognised a lease liability measured at present value of the remaining lease payments and measured the right-of-use asset on its carrying amount as if IFRS 16 had been applied at the commencement date, using a discount rate at the date of application. The Group's incremental borrowing rate of 4.15% has been used to determine the discount rate. The difference between the initially recognised right-of-use asset and lease liability at 1 January 2019 gave rise to a negative £171k adjustment to the opening balance of retained earnings.

Equipment and software leases were previously classified as finance leases. The Group did not change its initial carrying amounts for lease liabilities existing at the date of application of IFRS 16 on 1 January 2019.

26 Cash (used in)/generated from operations

	Consolidated		**Company**	
	2020 £000	2019 £000	**2020 £000**	2019 £000
(Loss) before income tax	**(6,460)**	(9,246)	**(52,958)**	(4,024)
Adjustments for:				
Depreciation	**1,086**	946	**-**	-
Amortisation of intangible assets	**2,374**	2,997	**-**	-
Impairment of intangible assets	**-**	1,138	**51,634**	1,138
Finance charges - net	**391**	223	**-**	-
Changes in working capital				
Trade and other receivables	**413**	6,877	**(3,676)**	(318)
Trade and other payables	**(6,106)**	(169)	**-**	3,204
Contract acquisition costs	**83**	(1,806)	**-**	-
Contract assets	**5,412**	5,905	**-**	-
Provisions	**545**	1,611	**-**	-
Cash (used in)/generated from operations	**(2,262)**	8,476	**(5,000)**	-

27 Related party transactions

The following transactions were carried out with related parties:

	Consolidated		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £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	-	-	**260**	260
Kitsune Associates Limited	-	-	**89**	89
Parent undertakings (See below)	**11,228**	9,943	**165**	165
	11,228	9,943	**514**	514
Payables to related parties				
Group Direct Marketing Limited	-	-	**13,335**	13,335
Brightside Insurance Services Limited	-	-	**1,858**	5,534
Parent undertakings (See below)	**18,714**	18,714	-	-
	18,714	18,714	**15,193**	18,869

Parent undertakings

Transactions between the Group and parent undertakings were as follows:

	Group		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Payables due to Parent undertakings				
Belvedere Bidco Limited (note 20)	**18,534**	18,534	-	-
Belvedere Bidco Limited (note 19)	**140**	140	-	-
Belvedere Midco Limited (note 19)	**40**	40	-	-
	18,714	18,714	-	-
Receivables due from Parent undertakings				
Belvedere Bidco Limited (note 17)	**10,753**	9,493	-	-
Belvedere Midco Limited (note 17)	**235**	220	**75**	75
Belvedere Holdings (Guernsey) Limited (note 17)	**240**	230	**90**	90
	11,228	9,943	**165**	165

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

28 Ultimate parent undertaking and controlling party

The ultimate parent undertaking of the Company is Markerstudy Holdings Limited, a Company registered in England and Wales with registered office at 45 Westerham Road, Bessels Green, Sevenoaks, Kent, TN13 2QB.

29 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 2020 the liability due to HM Revenue and Customs under the group VAT registration was £127,891 (2019 - £99,779).

The risk of claims for errors and ommissions arising from the placement of a customer's insurance policy is mitigated by the Group's Professional Indemnity insurance. The excess of £20,000 is deemed to be the maximum exposure to the company for each and every claim. A log of each and every incident is held by the Group and where a liability is considered possible, full provision is made. At 31 December 2019, an amount of £75,502 was held by the Group (2019: £75,000).

30 Post balance sheet events

In February 2021 Kitsune Associates limited was acquired by XS Direct Group Investments DAC. Immediately prior to the acquisition the Group purchased an allotment of ordinary shares for £1.9m, with the funds immediately being lent back to the Company with the establishment of a loan, repayable over 4 years. The slider liability of £2.4m was also transferred to the Company immediately prior to sale.

On the 8th April 2021 Belvedere Bidco Limited purchased an allotment of ordinary share for £7.4m, utilising the amount due from parent undertakings as consideration.

On the 12th April 2021 the Group was acquired by Markerstudy Holdings Ltd, in a transaction which also resulted in the repayment of the CBILS loan in full.

In June 2021 the Reverse Acquisition Resereve and Share Premium Account were cancelled and moved to Retained Profits.