

Annual Report & Accounts 2010

Seeing things differently

Insurance broking and distribution

At Brightside we distribute a portfolio of market-leading insurance products to individuals and businesses through our calls centres and online.

Seeing things differently

Our business model delivers benefits to customers and insurer partners alike. By validating customer details on application, security is built into every policy.

Our strong sales culture harnesses this security to enable effective and profitable cross-selling across our business.

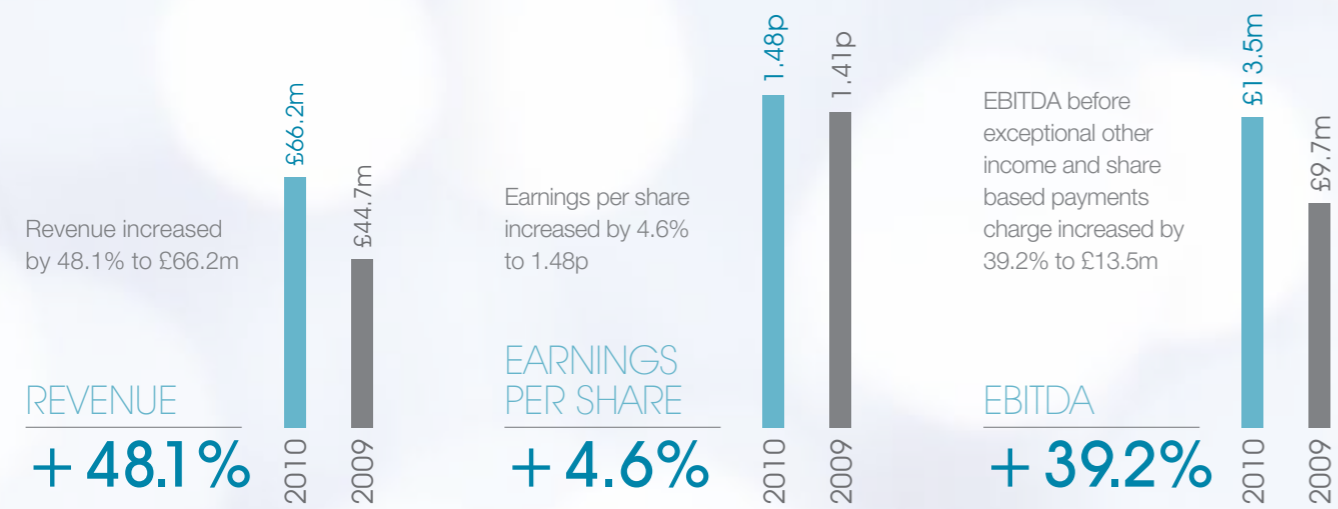
Thanks to these unique strengths, Brightside has rapidly become one of the fastest growing insurance broking and distribution businesses in the UK.

Contents

Financial Performance	04
What we do	06
History of Brightside	08
Chief Executive's Review	10
Report of the Directors	16
Officers	27
Corporate Governance	28
Report of Directors' Remuneration	30
Report of the Independent Auditor to the Members of Brightside Group plc	32
Consolidated Statement of Comprehensive Income	33
Consolidated and Company Balance Sheets	34
Statements of Changes in Shareholders' Equity	35
Consolidated and Company Cash Flow Statements	37
Notes to the Financial Statements	38
Company Information	80

Financial Performance

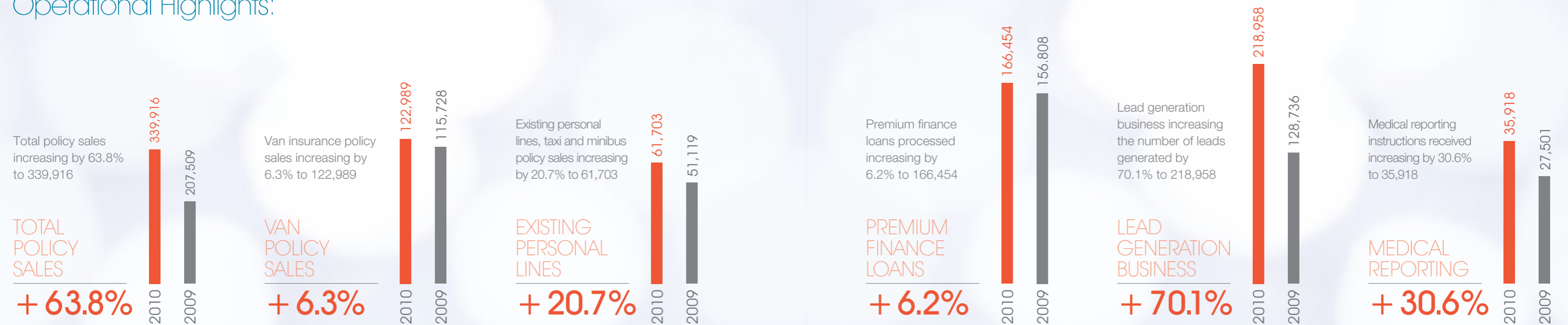
Financial Highlights:



Successful share placing in June 2010 raising **£8.5m** net of expenses. The funds were used to acquire the eCar and eBike policy books.

Post acquisition policy sales recorded by eCar and eBike at **79,252** and **21,483** respectively

Operational Highlights:



What we do

At Brightside we focus on insurance broking, premium finance, medical reporting and lead generation services.

Our business model

We distribute personal, commercial and van insurance products to individuals and businesses through call centres and online. Our insurance experts advise almost half of our customers from our call centres and our low cost online model empowers all our customers to administer policies themselves online.

Our insurance broking activities are complemented by our premium finance, lead generation and medical report sourcing businesses. Across the breadth of our business we place great emphasis on the validation of customer details, working in long-term partnerships with market-leading insurers to deliver competitively priced insurance cover.

Our strong sales culture and operational excellence is augmented by our commitment to cross-selling. Between our call centre and online businesses and using the power of our lead generation business, we have cemented our position within the top 20 insurance brokers in the country. We are one of the fastest growing insurance distribution businesses in the UK.

The insurance market

The shift of customer buying patterns, from the high street to call centres and most recently across online channels, has transformed the landscape of insurance broking.

With the online insurance sales process relying on self-certification by the customer, the market has seen a significant increase in the prevalence of non-disclosure and fraud. Insurers are liable for 3rd party claims regardless of the accuracy of customer details submitted so fraud has inflated expenses and claims costs incurred by insurers. In the most recent returns made to the Financial Services Authority, the top 20 vehicle insurers incurred costs of £122 for every £100 of premium they received (source: Financial Services Authority 2010).

As insurance customers are using high street broking experts less and less and increasingly relying on price comparison websites, the underwriting results of many insurers have worsened as blanket rules rather than qualified risk assessment have created insurance blackspots. This has limited the insurers' appetite to make their products available, directly or indirectly through comparison websites.

Our unique perspective

At Brightside we see things differently. We do not carry any underwriting risk and so validate all customer details and their driving licence once a policy is requested to help safeguard our insurer partners against fraud. This approach of working hand in hand with insurers to create a sustainable, mutually profitable customer proposition means we are able to obtain access to preferential terms from insurers.

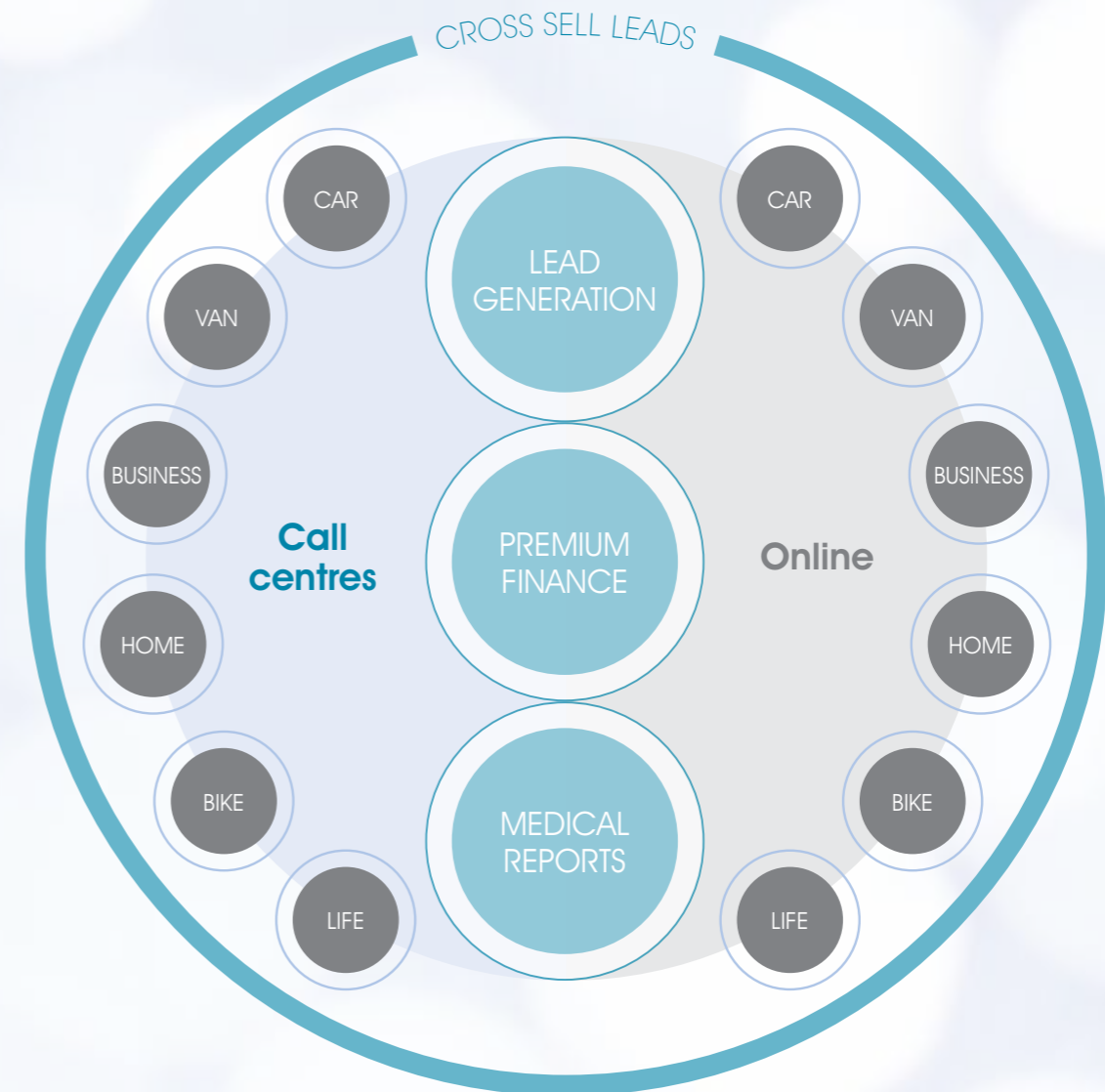
Operating market-leading Red Eye technology, we monitor customer behaviour across the online quote process and operate Smart Underwriting to assess risk, whilst using the Claims Underwriting Exchange to verify claims history to ensure true disclosure.

Our commitment to stamp out fraud and always penalise non-disclosure protects our insurer partners and gives us the vital edge in the market.

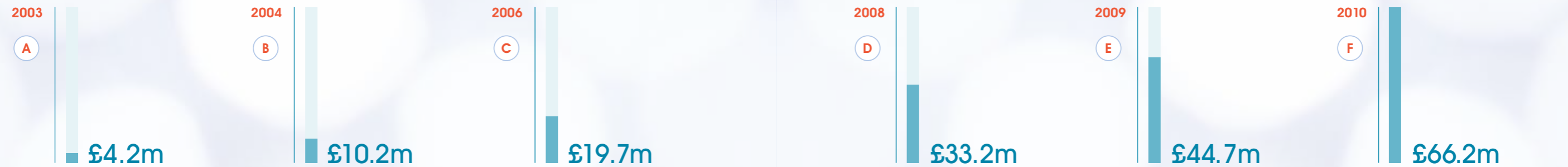
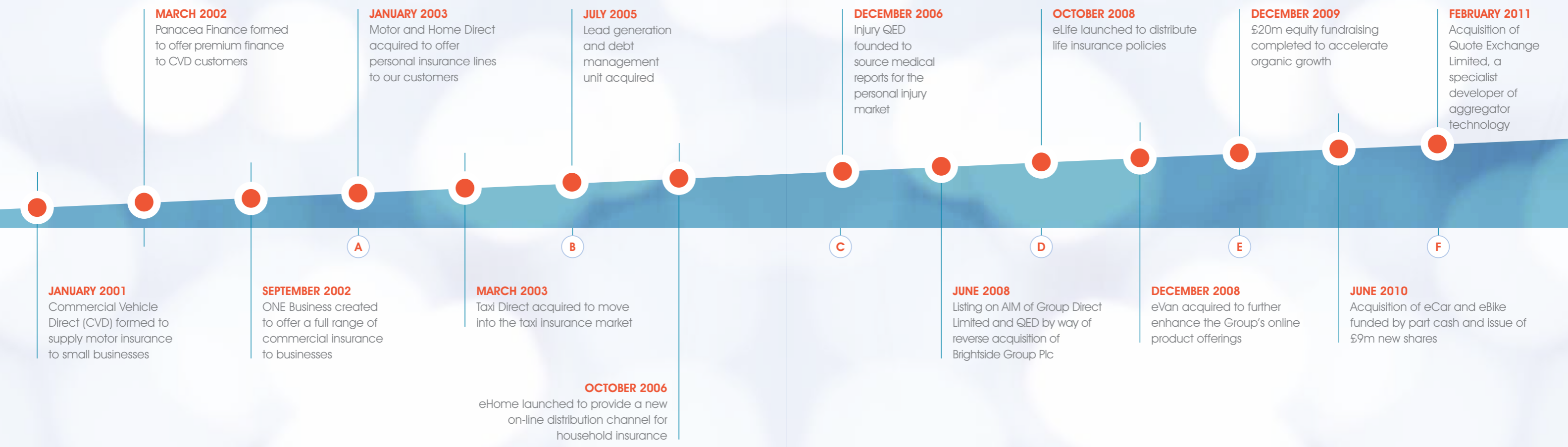
The top 20 vehicle insurers incurred costs of **£122 for every £100 of premium** they received

Source: Financial Services Authority 2010

Our business model



Where we've come from



YEAR ON YEAR REVENUE

Chief Executive's Review



2010 was once again a record year for Brightside as we continued to deliver strong growth across all of our key metrics (policy count, revenue and profitability), resulting in record business volumes and levels of income.

During the year total policies sold increased by 63.8% to 339,916 (2009: 207,509), with associated Group revenue increasing by 48.1% to £66.2m (2009: £44.7m) and profit before tax increasing by 50.7% to £10.1m (2009: £6.7m). Overall, 2010 has seen the Group take a significant stride towards our goal of becoming a major distributor in the UK

insurance market. Fuelled by the strong organic growth of our existing insurance broking businesses, the successful acquisition and integration of the eCar and eBike policy books, and the continued growth of the Group's premium finance, medical reporting and lead generation businesses, the Group delivered a record year.

total policy sales increasing by
63.8%

Insurance broking

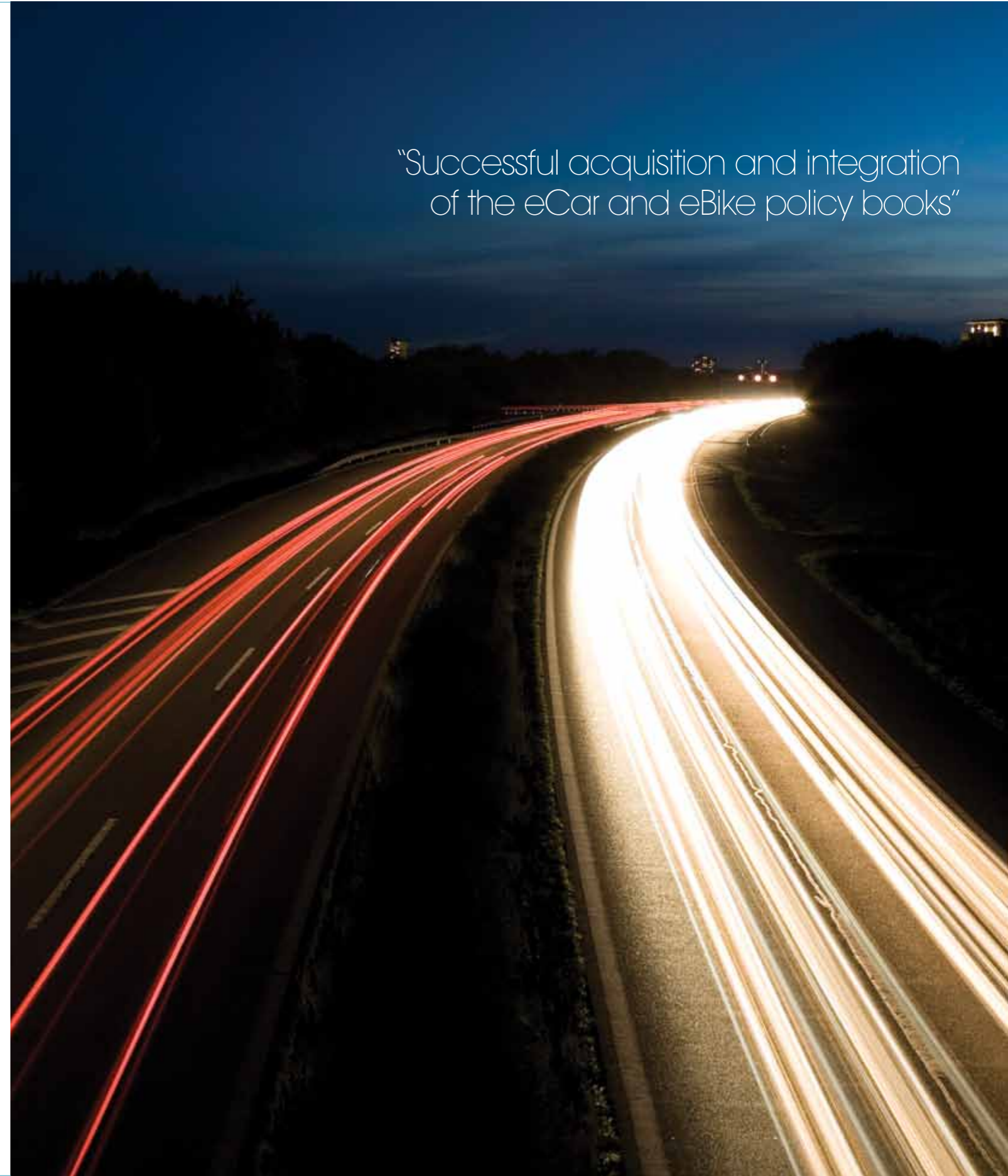
Our broking units all achieved growth in policy sales year on year:

Existing Business	2010 Policy Sales (Number)	2009 Policy Sales (Number)	% Increase
Van Insurance	122,989	115,728	6.3
Commercial Insurance	30,254	27,907	8.4
Personal Lines, Taxi and Minibus	61,703	51,119	20.7
GAP Insurance	10,597	7,736	37.0
Life Insurance	13,638	5,019	+100
Sub Total	239,181	207,509	15.3
eCar	79,252	-	N/A
eBike	21,483	-	N/A
Total*	339,916	207,509	63.8

*Included in 2010 policy sales are 29,512 monthly policies (2009: 11,400). All other policy sales are annual policies.

In addition, in 2010 the Group sold a further 31,253 eCar short term car insurance policies (2009: nil) which have an average duration of 2-3 days.

"Successful acquisition and integration of the eCar and eBike policy books"



Chief Executive's Review [continued]

Lead generation

During the year our lead generation business significantly increased the number of leads generated from 128,736 in 2009 to 218,958 in 2010. This increased lead generation activity helped to fuel the organic growth of our existing insurance broking businesses.

Premium finance

The increased policy sales achieved by our broking units, combined with the industry wide increase in insurance premiums resulted in the Group processing 166,454 premium finance loans by number in 2010 (2009:156,808), an increase of 6.2% on the prior year. This represented £98.6m of new premium finance loans (2009: £84.1m), an increase of 17.2% on the prior year.

During 2010, we negotiated a £15m revolving loan facility with Clydesdale Bank to increase the amount of premium finance lending we can finance on our own books at a higher margin. Panacea Finance Limited, our premium finance subsidiary, was able to finance 121,506 of these loans representing £67.6m of new premium finance on its internal loan book in 2010, against 61,122 loans, representing £30.9m of new premium finance in the prior year. The remaining loans processed by Panacea were funded by third party premium finance funding providers.

Medical reporting

Our medical reporting agency continues to grow with 35,918 instructions having been received in 2010 (2009: 27,501) representing an increase of 30.6% over the prior year. During the year the unit has continued to focus on implementing its strategy of increasing the number of partners from whom it receives medical reporting referrals whilst also increasing its product offering to include a number of complementary services.

Developments in year

eCar and eBike

The acquisition of the eCar and eBike policy books was completed in June 2010 and generated 100,735 annual and monthly policy sales, plus a further 31,253 short term policy sales for the Group in the post acquisition period.

To supplement the already successful acquisition of the eCar policy book, the transition of eCar from a single insurer model to a multi insurer panel continues into 2011 and by the end of the third quarter we expect to have 8 insurers on the eCar panel including Groupama, Aviva, AXA, Ageas, Liverpool Victoria, Provident, Allianz and Southern Rock.

£98.6m
of new premium
finance loans

We anticipate the continued development and roll out of the eCar panel will add further impetus to the growth of both eCar and the wider Group in terms of:

- enhanced new business conversion rates;
- enhanced renewal retention rates on the existing eCar policy book;
- the generation of additional opportunities for our offline car brokerage from unconverted eCar quotes; and
- the generation of additional premium finance opportunities.

While we remain excited about the potential of eCar we anticipate that its full benefit will not be reflected in the Group's results until 2012 at the earliest, when the panel has been in operation for a full renewals cycle.

eLife

While we were successful in achieving growth across all of our businesses in 2010, our only disappointment was the deterioration in performance of our life assurance business, eLife. Although eLife achieved both policy and revenue growth in 2010, buying on line generated leads from third parties delivered unsustainably high policy cancellation rates. As a result of this, the business recorded a loss before tax for the year of £2.6m including provisions for anticipated future cancellations.

"The continued development and roll out of the eCar panel will add further impetus to the growth of both eCar and the wider Group"

Chief Executive's Review [continued]

Swift and decisive action was taken to downsize the business achieving a cost neutral position by early 2011. We have focused eLife on cross selling to existing Brightside policyholders with opportunities created by our growing lead generation business and we are currently working with our insurance and affinity partners to improve our offering.

Balance sheet

Overall total Group assets have increased by £34m year on year. This increase is primarily due to the acquisition of the eCar and eBike policy books, accounting for £30m of the increase. In addition the funds raised in December 2009 have been used to grow the Panacea premium finance loan book and to expand the activities of our medical reporting agency, Injury QED. As a result the Panacea loan book has increased by £14m, and the Injury QED receivables balance has increased by £2m year on year.

The £18m increase in total liabilities primarily relates to the deferred consideration on the acquisition of the eCar and eBike policy books. This is calculated on a formula basis using the profits generated by eCar and eBike

respectively and is payable in the second quarter of 2012 for eBike and in the second quarter of 2013 for eCar. Going forward we anticipate that the deferred consideration due on the acquisition of eCar and eBike, and any additional working capital requirements for our existing businesses will be funded through cash generated by eCar and eBike and the other Group businesses.

Cash generation

The Group's insurance brokerages continue to be highly cash generative. The money generated from these businesses, together with the monies generated from the two most recent fund raisings, have primarily been used to fund the growth of the premium finance loan book and to fund the acquisition of the eCar and eBike policy books. The impact of these deployments can be seen on our balance sheet. Although improvements in earnings have already been seen, the main beneficial effect of using equity and borrowings rather than third party providers to fund the loan book will not be fully seen until we publish results for 2011.

Dividend policy

We completed an equity fund raising in December 2009 to properly capitalise the existing business for future growth, and a further fund raising in May 2010 to support the acquisition of the eCar and the eBike policy books. It is the intention of the Board of Directors to fully deploy these funds and allow the full effect of these funds to translate into cash generation before commencing dividend payments. In considering the timing and extent of future dividend payments, the Directors will consider the timing and extent of any deferred consideration payable in respect of the acquisition of the eCar and eBike policy books and the acquisition of Quote Exchange Limited (completed in early 2011).

generates approximately
5.9m
price comparison quotes
per month

Future strategy and outlook

The Board views the prospects for 2011 with confidence.

Overall the Group sold 77,158 insurance policies in January and February of 2011, compared to 37,977 in the same period of 2010, an increase of 103.2%. Whilst the majority of this increase relates to the inclusion of eCar and eBike the existing businesses also recorded a 2.4% increase in policy sales year on year. Given the level of organic growth achieved by the Group's insurance brokerages in 2010, the further increase in sales represents a particularly pleasing achievement.

The hardening market for insurance premiums is expected to continue for a further 12-18 months and the Directors are confident that this will translate into higher income per policy for our insurance brokerages and also increase the value and volume of loans processed by our premium finance business.

In February 2011, we completed the acquisition of Quote Exchange Limited for a maximum consideration of £3.7m in cash and the issue of 1,394,700 ordinary shares in Brightside.

Quote Exchange designs and builds specialist distribution technology which is utilised by its customers to provide verified price comparison solutions across a wide range of products. This technology, which is currently provided to 16 different customers, generates approximately 5.9m price comparison quotes per month.

The current distribution model for insurance products relies heavily on the application of price comparison solutions. The acquisition of Quote Exchange Limited secures access to this specialist distribution technology, whilst also providing an important tool for the Group and its strategic partners to maximise income from its potential customers.

In 2011, our primary focus will therefore be the continued growth in policy sales across all products, the development and roll out of the eCar multi insurer panel, the integration of Quote Exchange into the Group and the leveraging of its technology to maximise income generation across the Group.

Our staff

As Chief Executive, and on behalf of my fellow Board members and shareholders, I would like to formally thank our staff. At the start of 2010 we set ourselves challenging targets across the Group. Our staff reacted positively and enthusiastically to the challenges, transacting more business and increasing profitability over the prior year. We continue to develop and promote our people from within at every opportunity as the business grows so that many key positions are occupied by home grown talent. Entering 2011, staff and executives together are energised and committed to the achievement of a business plan which projects the achievement of further growth across all aspects of the Group.

P S Chase-Gardener

Chief Executive Officer
Brightside Group plc



Report of the Directors

Principal activities

The principal activities of the Brightside Group plc "Brightside" or "the Group" in the year under review were those of insurance broker, premium finance provider, medical reporting agency, lead generator and provider of debt management solutions.

Business Review and Future Developments

Insurance broking

Our broking units all achieved growth in policy sales year on year:

Existing Business	2010 Policy Sales (Number)	2009 Policy Sales (Number)	% Increase
Van Insurance	122,989	115,728	6.3
Commercial Insurance	30,254	27,907	8.4
Personal Lines, Taxi and Minibus	61,703	51,119	20.7
GAP Insurance	10,597	7,736	37.0
Life Insurance	13,638	5,019	+100
Sub Total	239,181	207,509	15.3
eCar	79,252	-	N/A
eBike	21,483	-	N/A
Total*	339,916	207,509	63.8

* Included within the above table are 29,512 monthly policies (2009: 11,400). All other policy sales are annual policies.

In addition, in 2010 the Group sold a further 31,253 eCar short term car insurance policies (2009: nil) which have an average duration of 2-3 days.

While the main driver for the growth in policy sales has been the contribution made by eCar and eBike following their acquisition in June 2010, all of the existing broking operations performed strongly during the year recording organic growth.

The continued growth of the van insurance business is particularly pleasing in what is both a mature and highly competitive market. The organic growth delivered by our commercial and personal lines businesses reflects the continued dedication, commitment and expertise of our broking team supported by our marketing efforts in what are again mature markets.

In our 2009 Directors report we reported the launch of our new YouChoose brand which is aimed at the economy end of the market and encompasses car, bike, van and home insurance products.

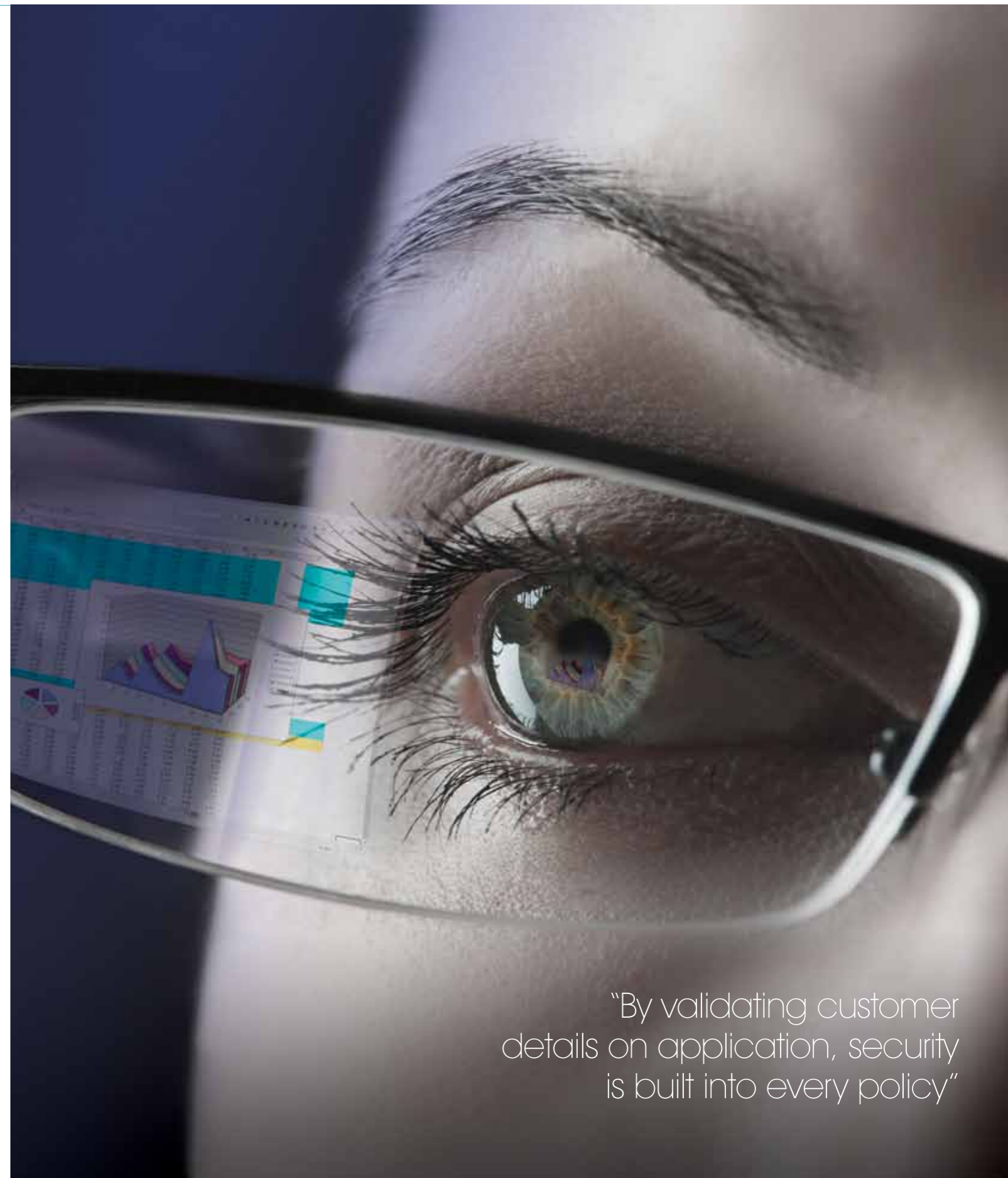
The YouChoose brand has delivered strong results in 2010 generating 6,375 policy sales, and contributing positively to the organic growth achieved by the Group during the year.

While the initial take up of the YouChoose products has been particularly encouraging, we continue to review its pricing structure in order to optimise the combined return from policy sales across our insurance broking and premium finance division.

While we were successful in achieving growth across all of our businesses in 2010, our only disappointment was the deterioration in performance of our life assurance business, eLife. Although eLife achieved both policy and revenue growth in 2010, buying on line generated leads from third parties delivered unsustainably high policy cancellation rates. As a result of this, the business recorded a loss before tax for the year of £2.6m including provisions for anticipated future cancellations. Swift and decisive action was taken to downsize the business achieving a cost neutral position by early 2011. We have focused eLife on cross selling to existing Brightside policyholders with opportunities created by our growing lead generation business and we are currently working with our insurance and affinity partners to improve our offering.

Our broking units look forward to 2011 with significant optimism. The continued development of the eCar multi insurer panel is expected to add further momentum to the growth of eCar in terms of new business quote to sale conversion rates and renewal retention rates. However the full benefit of this is not expected to be reflected in the Group's results until 2012 at the earliest when the panel has been operational for a full renewals cycle.

Our broking units will continue to focus on organic growth and in order to achieve this will continue to work closely with our marketing team to ensure a sufficient number of opportunities are available to be quoted on and with our insurer relations team to ensure we continue to have sufficient markets to place the business opportunities being generated.



"By validating customer details on application, security is built into every policy"

Report of the Directors [continued]

Premium finance

During the year our premium finance unit processed 166,454 loans (2009: 156,808), an increase of 6.2% on the prior year. These loans represented £98.6m in new premium finance (2009: £84.1m), an increase of 17.2% on the prior year.

Following the successful refinancing of its premium finance loan book with Clydesdale bank, which resulted in the Group obtaining a £15m revolving loan facility to support its premium finance offering the Group was able to finance 121,506 of these loans representing £67.6m of new premium finance on its internal loan book in 2010, against 61,122 loans, representing £30.9m of new premium finance in the prior year. The remaining loans processed by the unit were funded by third party premium finance funding providers such as Close premium finance.

Whilst funding business on its own internal loan book represents the cheapest source of finance available to the Group, and therefore represents its optimal outcome, the income generated from these loans is taken to the income statement over the life of the loan agreement where as income generated from externally funded loans is taken to the income statement in the month the loans are referred to the external funding provider.

Going forward, the unit will continue to focus on delivering a high quality, low cost service to its customers leveraged on the use of technology solutions to minimise the extent of manual intervention in the processing of premium finance loans.

The continued growth in the policy sales achieved by the Group's insurance broking division is expected to translate into further premium finance opportunities for Panacea. Consequently the unit will continue to work with its funding providers to ensure it has sufficient capacity to fund all of the opportunities generated, and to maximise the number of those opportunities which can be funded internally.

Lead generation and debt management

Our lead generation unit continues to play an important role in providing leads to our insurance broking businesses, with this unit continuing to implement its strategy of generating low cost and high converting opportunities for the Group.

The unit delivered a strong performance during 2010 generating 218,958 leads against 128,736 in the prior year. Whilst the majority of the leads generated were cross sold internally to the Group's insurance broking businesses, a significant number of leads generated were subsequently sold externally.

Going forward, a key challenge for the group remains the lead generation effort which is central to the Group's ability to continue to drive forward its insurance broking businesses.

In addition, the existence of leads being generated and sold externally remains a key driver for both the Group's insurance broking businesses in terms of ensuring they have sufficient capacity to handle the volume of leads being generated, and for the Group's insurer relations team in terms of securing markets for leads we currently generate but are unable to convert internally.

The debt management unit remains a small but profitable operation and continues to focus on:

- achieving operational efficiencies;
- maintaining its existing customer base; and
- implementing a cost effective marketing strategy aimed at generating new clients requiring debt management services.

Medical reporting

The medical reporting agency continues to expand its activities with 35,918 instructions having been received in 2010 (2009: 27,501), representing an increase of 30.6% over the prior year. During the year the unit has continued to focus on implementing its strategy of increasing the number of partners from whom it receives medical reporting referrals whilst also increasing its product offering to include a number of complementary services.

Going forward in 2011 the unit will continue to implement this strategy, however the drive to recruit new referring partners will continue to be tempered by the need to perform appropriate due diligence on these partners to minimise the risk of bad debt in a business which due to its nature has debtor days currently in excess of 230 days.



“Our lead generation unit continues to play an important role in providing leads to our insurance broking businesses”

Report of the Directors [continued]

Key performance indicators

The Group uses a variety of KPI's to measure the success of its individual business units. These include daily and monthly financial KPI's, measured against budgeted targets which are set annually. Examples of such KPI's are quote to sale conversion rate, renewal retention rate, and income per policy, all of which vary across the different Group businesses. In order to measure the success of its premium finance operation, the Group measures the premium finance penetration rate, which varies by insurance broking business, the average loan value and the number of loans processed per member of staff.

On a monthly basis, the Group prepares a number of non financial KPI's to monitor the operational efficiency of its businesses, these include:

- the number of sales per head, which management uses to identify efficiencies and motivate staff;
- the number of medical reporting instructions received, and experts instructed, which enables management to identify the growth of the medical reporting agency;
- the number of leads transferred internally and externally, which enables management to measure the exposure to varying income streams within the lead generation unit;
- total headcount which enables management to identify the growth and success of the business units; and
- staff absenteeism rates, which management use to compare across business units and industry standards.

Dividends

No dividends to the shareholders of Brightside Group plc were proposed or declared during the year (2009: nil).

Directors

The membership of the Board and their interests in the shares of the Company as at 31 December 2010 and at 31 December 2009 are set out below:

Director	31 December 2010	31 December 2009
P S Chase-Gardener	33,700,286	37,546,440
J W Gannon	37,163,728	37,163,728
A F A Banks	77,547,936	85,342,019
H Molyneux	8,355,000	8,355,000
C E Fay	2,185,000	1,625,000
L Hughes	28,826,045	28,826,045
J Telling	315,682	315,682
S Palmer	-	-

P S Chase-Gardener, J W Gannon and A F A Banks together control Southern Rock Insurance Company Limited, which held 1,300,000 (2009: 4,000,000) Ordinary shares in Brightside Group plc, and Rock Holdings Limited which held no Ordinary shares (2009: 20,000) in Brightside Group plc at 31 December 2010.

Of the 33,700,286 Ordinary shares representing P S Chase Gardener's interest in Brightside Group plc at 31 December 2010, 650,000 shares are held by his wife. These shares were also held at 31 December 2009.

Details of Share Options Granted to Directors

Options granted to Directors who held office at 31 December 2010 are:

Director	Grant Date	Number of share options granted	Option price (pence)	Date first exercisable	Expiry Date
P S Chase-Gardener	23/07/2008	5,000,000	27.5	22/07/2010	22/07/2018
P S Chase-Gardener	29/07/2010	872,727	27.5	28/07/2012	28/07/2020
J W Gannon	23/07/2008	3,125,000	27.5	22/07/2010	22/07/2018
J W Gannon	29/07/2010	318,182	27.5	28/07/2012	28/07/2020
A F A Banks	23/07/2008	3,125,000	27.5	22/07/2010	22/07/2018
A F A Banks	29/07/2010	510,136	27.5	28/07/2012	28/07/2020
C E Fay	23/07/2008	750,000	27.5	22/07/2010	22/07/2018
C E Fay	29/07/2010	272,727	27.5	28/07/2012	28/07/2020
L Hughes	23/07/2008	250,000	27.5	22/07/2010	22/07/2018
H Molyneux	23/07/2008	250,000	27.5	22/07/2010	22/07/2018

No share options were exercised by any Directors during the year.

Principal risks and uncertainties

There is a continuous process for identifying, evaluating and managing risks and uncertainties faced by Brightside Group plc.

The Group operates a process of reasoned judgements that takes into consideration the likelihood and consequences of each risk, when

assessing those risks it considers to be significant. The principal risk identified, their control mechanisms and mitigation strategies are discussed at each Audit Committee meeting. The Board receives regular reports on any major issues that arise during the year and makes an annual assessment of how the risks have changed over the period under review.

The risk profile of the business has not changed significantly this year and the Board has identified the following principal risks and uncertainties which could impact upon the Group's ability to achieve its objectives. The list does not include all the risks that the Group faces and they are not presented in any order of priority.

Risk type	Risk	Mitigating factors/controls
Conduct of business and prudential regulation	Many activities of the Group are subject to conduct of business and prudential regulations as laid down by the Financial Services and Markets Act 2000. Failure to comply with the rules and regulations of the UK regulator, the Financial Services Authority (FSA), could affect the trading activity of a subsidiary firm or result in withdrawal of authority to carry out regulated activities.	The Group mitigates this risk through a dedicated Compliance Team which conducts regular monitoring of the systems and controls that have been implemented to ensure conformity with FSA rules. This is supplemented by a system of focused reviews that is carried out by the Group's Internal Audit Department which was established in 2010. The Group finance department closely monitors compliance with the minimum capital requirements and ensures that other prudential requirements are fulfilled.
Premium financing	In providing loans to finance insurance premiums for customers of broking firms, Panacea Finance Ltd is required to comply with the UK's Consumer Credit legislation. Loss of a trading licence would have a detrimental affect on the profitability of the Group.	Panacea's management and the Group compliance function monitor changes in legislation and conduct periodic reviews to ensure that the firm complies with current regulations, licensing requirements and the Office of Fair Trading's best practice guidelines.
Changes to legislation or regulations	The Group may be adversely affected by new or revised legislation or regulations.	The business monitors changes to the regulatory environment, including the regulatory framework proposed by the coalition government, to be able to react with minimal disruption to the business.
Litigation or professional negligence claims.	The Group's main business is insurance intermediation. Should a client's insurer fail to meet a claim made under the policy, there is potential that this may have repercussions on the business.	<ul style="list-style-type: none"> • The group maintains a high level of professional indemnity insurance protection. • Insurer solvency is examined using Standard and Poors Rating View. • Internal review procedures monitor customer disclosures.

Report of the Directors [continued]

Risk type	Risk	Mitigating factors/controls
Business resilience	Major loss or damage to the Group's infrastructure would impair its ability to operate effectively and would have a negative effect on profitability.	To reduce the impact of such an event, business continuity plans are regularly tested. The Group has invested in a workplace recovery facility hosted by a third party, which allows it to relocate to an alternative site. Financial exposure is further reduced through an appropriate insurance programme protecting both the capital assets and revenue of the business.
Data security	The business handles a considerable volume of data including payment transaction information. Data leakage whether through unauthorised access to the Group's IT network, loss of data transmitted over public networks or loss by any other cause, would adversely impact the business.	The Group takes a pro active approach to data security through its IT Security Policy. PCI DSS is managed through a system of re-engineering to reduce the type of data stored and through the deployment of a Qualified Security Assessor. Regular network testing and vulnerability scanning is carried out to ensure that the Group's IT environment remains secure.
Employee engagement and retention	The loss of or inability to recruit or retain key personnel could have adverse consequences for the business.	The Group's employment policies, remuneration and benefits packages are designed to be competitive as well as providing staff with motivating and fulfilling careers.
Changing markets and increased competition	The Group operates in a highly competitive environment and continued profitability depends on our ability to respond to changes in market pressures.	<ul style="list-style-type: none"> • Strong market position with pricing power. • Experienced management team with a strong track record of innovation. • Market conditions closely monitored.
Changes in customer behaviour and online competition	The growth of the internet increases competition faced by call centre operations. Changes in product distribution and in particular aggregator models could affect long term profitability.	<ul style="list-style-type: none"> • Forward thinking strategy to deliver both online and offline products according to top purchaser's needs. • Experience in successfully bringing innovative electronic products to the market. • Market leading underwriting controls to deliver profitability to protect insurers.

Risk Type	Risk	Mitigating factors/controls
Strategic risk	The Group's future growth is dependent on its ability to implement its strategy in a competitive environment whilst improving efficiency and maintaining strong financial controls. Failure to do so could have an adverse effect on the Group's financial condition.	Future strategy is developed by the Chief Executive Officer and senior executive team members and is considered and approved by the Board. To ensure that the strategy is communicated and understood, the Group engages with a wide range of stakeholders. This process helps to ensure that the strategy remains relevant and improves the likelihood of success. The executive team is mindful of current economic conditions and the need to control costs across the business.
Liquidity and other financial risks	The Group is exposed to financial risks through its use of financial instruments in the ordinary course of business.	Please refer to financial risk management in Note 3 to the financial statements.

Audit Committee

The Audit Committee throughout the year comprised of the following Non Executive Directors:

- Stuart Palmer (Chairman);
- Helen Molyneux;
- Julian Telling; and
- Leslie Hughes.

The Board considers that the committee members have the relevant expertise and experience to carry out their responsibilities.

The committee meets at least three times a year and the meetings are attended, by invitation, by the Chairman, the Chief Executive, the Head of Finance and the Company Secretary. The Committee also meets the external auditor in the absence of any other Executives.

The Audit Committee is responsible for:

- reviewing the interim accounts and year end statutory accounts;
- reviewing the accounting principles, policies and practices adopted in the preparation of the interim and year end statutory accounts;
- ensuring compliance with FSA rules and regulations;
- reviewing the scope and findings of the external audit;
- making recommendations to the Board on the appointment of the external auditors;
- reviewing the framework of internal control as well as the risk management systems; and
- reviewing management reports by the internal audit department as well as agreeing the plan for the forthcoming year.

The Committee keeps under constant review the external auditor's independence, including any non audit services that are to be provided by the external auditor. (Details of these fees can be found in Note 9). The external auditor reports to the Audit Committee each year on the actions they have taken to comply with professional and regulatory requirements to ensure their independence. In addition the external auditor operates a policy of audit partner rotation as well as using an independent Principal and a Technical Review department.

There are no formal whistleblowing arrangements which the Directors consider appropriate given the Company's structure and size. This is reviewed on an annual basis by the Board.

Report of the Directors [continued]

Remuneration Committee

The Remuneration Committee is comprised of the following non executive Directors:

- Julian Telling (Chairman);
- Christopher Fay;
- Helen Molyneux; and
- Stuart Palmer.

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration and benefits of the executive Directors and senior Executives of the Group.

Internal control and risk management

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

- daily reconciliation of cash balances;
- ongoing monitoring of expenditure through a stringent purchase order sign off process and budgetary review process; and
- regular financial performance monitoring within a financial planning and budgetary framework.

The Group's risk management strategy provides a structured way of ensuring all material risks are identified, prioritised and mitigated. The Audit Committee receives a report from the Risk and Compliance Officer each time it meets and is thereby able to monitor risk management activity. Risk controls were in place for the period of this report and up to the date of approval of the report. The Board conducted an annual review of the effectiveness of Group's risk management system, including financial, operational and compliance controls, during 2010. There is an ongoing process for evaluating and managing significant risks faced by the Group.

Budgets and reporting

Each year the Board approves the annual budget, which includes an assessment of key risk areas. Performance against budget is monitored throughout the year with the Board receiving regular reports on actual performance against budget.

Underpinning the budget is a system of internal financial control, based on authorisation limits and tiers of authority.

Management structure

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

Quality and integrity of personnel

The integrity and competence of personnel are ensured through high recruitment standards and subsequent training courses.

High quality personnel are seen as an essential part of the control environment.

Corporate governance

The Board recognises the value of good corporate governance and has set out its corporate governance statement on pages 28 to 29.

Employees

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

Employees are kept closely 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.

Payables payment policy

The Group aims to pay all of its creditors promptly. For trade payables it is Group policy to:

- agree the terms of trade at the start of business with each supplier; and
- pay its suppliers in accordance with the agreed terms of trade.

The number of payables days for the Group as at 31 December 2010 was 39 days (2009: 50 days).

Substantial shareholdings

As at the 1 April 2011, the Board is aware of the following substantial interests in the issued share capital of the Company, other than those of the Directors of the Company:

	% Holding
Schroder Investment Management Limited	11.92
Royal Bank of Canada	5.30
Aviva Investors Global Services	6.57
Stena Investments	6.53
J H Bowers	5.88
Legal & General Investment Management	5.69

Health and safety

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

Environment

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

Political and charitable donations

The Group made charitable donations of £12k (2009: nil) during the year. No political donations were made during the year (2009: nil).

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable laws and regulations.

UK Company law requires the Directors to prepare Group and Company Financial Statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU.



Report of the Directors [continued]

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and the Company, and the financial performance of the Group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Brightside Group plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

So far as the Directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

The auditor, Baker Tilly UK Audit LLP, will be proposed for re appointment in accordance with Section 485 of the Companies Act 2006.

ON BEHALF OF THE BOARD

P S Chase-Gardener
Chief Executive Officer
Brightside Group plc

13 April 2011



Officers

Paul Chase-Gardener ACA – Chief Executive and Finance Director

Paul originally co-founded Brightside with John Gannon and Arron Banks in February 2005.

In addition to being one of the co-founders of Brightside, Paul was previously the Chairman and Finance Director of Group Direct Limited, which was subject to a reverse takeover by Brightside in June 2008.

Paul is a chartered accountant having trained and qualified with Price Waterhouse.

Paul is also a Non Executive Director of IOFINA plc, an AIM listed iodine production company based in the USA.

Arron Fraser Andrew Banks – Insurance Director

Arron originally co-founded Brightside with John Gannon and Paul Chase-Gardener in February 2005. Arron also co-founded Commercial Vehicle Direct Insurance Services Limited (the original business which later formed the core of Group Direct Limited) in early 2001, with John Gannon.

Arron is also a Non Executive Director of Manx Financial Group plc, an AIM listed financial services institution based in the Isle of Man.

John William Gannon – Commercial Director

John originally qualified as a solicitor and barrister in his native Australia, where he practised before coming to the UK in 1993. After moving to the UK, John completed the necessary qualifications to enable him to practice English law. Prior to jointly founding Brightside in February 2005, John co-founded Commercial Vehicle Direct Insurance Services Limited in early 2001 with Arron Banks. John has also been involved in other successful business start ups, including NewLaw, a Cardiff based law firm established in 2004.

Dr Christopher Fay CBE – Non Executive Chairman

In addition to his role as the Non Executive Chairman of Brightside, Dr Fay is also currently the Non Executive Chairman of IOFINA Plc, and Stena International sarl. Dr Fay also held the position of Non Executive Director with Anglo American plc from 1999 to 2010.

Helen Clare Molyneux – Non Executive Director

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

Helen became a Director of Brightside in September 2006.

Leslie Hughes – Non Executive Director

Leslie set up Hughes Insurance, a Northern Ireland based Insurance broker, which has traded for over 30 years.

Leslie became a Non Executive Director of Group Direct Limited in October 2002 and joined the Board of Brightside upon the reverse takeover of Group Direct Limited in June 2008.

Julian Telling – Non Executive Director

Prior to joining Brightside, Julian built up Sumus into one of the largest independent financial advisers (IFAs) in the UK. The business was admitted to AIM in 2005 and merged with Lighthouse plc during 2008. After 25 years, Julian left the Company to pursue other business interests in finance, property and aviation. He holds a variety of Directorships including a number of pro bono positions.

Stuart Palmer – Non Executive Director

Stuart is a chartered accountant having qualified with Touche Ross. Prior to joining the Board of Brightside, Stuart held a number of senior finance positions within companies including WPP, Crest Nicholson and Lafarge.

Corporate Governance

Being AIM listed, the Group is not required to comply with the 2008 Combined Code on corporate governance. However, the Board of Directors is committed where practicable to developing and applying high standards of corporate governance appropriate to the Group's size.

This statement sets out measures taken by the Board to apply the principles of the Code in the year ended 31 December 2010 and to the date of the Directors' report.

Board of Directors

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

The Board currently meets on a quarterly basis, with additional special meetings as required.

The Board acts in an oversight capacity for the Group, with particular responsibility for:

- reviewing trading performance;
- ensuring that the Group is operating with adequate resources;
- ensuring standards of conduct;
- ensuring the Group has adequate funding;
- setting and monitoring strategy; and
- reporting to shareholders.

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

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

Audit Committee

The Audit Committee is comprised of the following non executive Directors:

- Stuart Palmer (Chairman);
- Helen Molyneux;
- Julian Telling; and
- Leslie Hughes.

The Audit Committee is responsible for reviewing the interim accounts and year end statutory accounts. It is also responsible for making recommendations to the Board on the appointment of the external auditor, for reviewing the accounting principles, policies and practices adopted in the preparation of the interim and year end statutory accounts and for reviewing the scope and findings of the external audit. In addition, the Audit Committee monitors the framework of internal control.

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

Remuneration Committee

The Remuneration Committee is comprised of the following non executive Directors:

- Julian Telling (Chairman);
- Christopher Fay;
- Helen Molyneux; and
- Stuart Palmer.

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration and benefits of the executive Directors and senior executives of the Group.

Internal control

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

- daily reconciliation of cash balances;
- ongoing monitoring of expenditure through a stringent purchase order sign off process and budgetary review process; and
- regular staff appraisal against predefined KPI targets.

Budgets and reporting

Each year the Board approves the annual budget, which includes an assessment of key risk areas. Performance against budget is monitored throughout the year with the Board receiving regular reports on actual performance against budget. Underpinning the budgets is a system of internal financial control, based on authorisation limits and tiers of authority.

Management structure

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

Quality and integrity of personnel

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

Going concern

The Group generated a profit for the year of £6.5m and in addition raised £8.5m net of expenses through a new share placing. The funds raised were utilised to acquire the eCar and eBike businesses.

The Group offers various services across market sectors ranging from insurance brokerage to the provision of medical reports. The insurance broking business generates a high proportion of its revenue from customers renewing their insurance policies which represents repeat business. The historically strong retention rate gives Directors confidence in forecasting strong repeat revenue streams and cashflows.

The Directors monitor closely compliance with borrowing facility covenants, operating cashflows and profitability. The Group's forecasts show that the Group is able to operate within its current facilities and cash balances.

Consequently, the Directors have prepared these accounts on a going concern basis.



Report of Directors' Remuneration

The Board of Directors are committed to developing and applying high standards of corporate governance appropriate to the Group's size. This commitment extends to Directors' remuneration and therefore information relating to Directors remuneration is disclosed in the following report.

Remuneration policy

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

Annual remuneration of Directors

For the year ending 31 December 2010, the Directors who held office during the year received the following remuneration:

Audited

Director	2010 Salary/Fees £	2010 Benefits £	2010 Bonus £	2010 Pension £	2010 Total £
P S Chase-Gardener	200,000	15,875	37,500	–	253,375
J W Gannon	125,000	22,330	25,000	1,881	174,211
A F A Banks	125,000	–	37,500	–	162,500
C E Fay	82,500	–	–	–	82,500
L Hughes	28,750	–	–	–	28,750
H Molyneux	28,750	–	–	–	28,750
J Telling	28,750	–	–	–	28,750
S Palmer	28,750	–	–	–	28,750
Total	647,500	38,205	100,000	1,881	787,586

For the year ended 31 December 2009, the Directors who held office in Brightside Group plc during the year received the following remuneration:

Audited

Director	2009 Salary/Fees £	2009 Benefits £	2009 Bonus £	2009 Pension £	2009 Total £
P S Chase-Gardener	200,000	15,875	62,500	–	262,500
J W Gannon	125,000	–	25,000	2,907	152,907
A F A Banks	125,000	–	62,500	–	187,500
C E Fay	75,000	–	25,000	–	100,000
L Hughes	25,000	–	–	–	25,000
H Molyneux	25,000	–	–	–	25,000
J Telling	25,000	–	–	–	25,000
S Palmer	22,917	–	–	–	22,917
Total	622,917	–	175,000	2,907	800,824

Directors' interests in the Share Capital of the Company

The interests of the Directors who held office as at 31 December 2010 were:

Director	31 December 2010	31 December 2009
P S Chase-Gardener	33,700,286	37,546,440
J W Gannon	37,163,728	37,163,728
A F A Banks	77,547,936	85,342,019
C E Fay	2,185,000	1,625,000
L Hughes	28,826,045	28,826,045
H Molyneux	8,355,000	8,355,000
J Telling	315,682	315,682
S Palmer	–	–
Total	188,093,677	199,173,914

P S Chase-Gardener, J W Gannon and A F A Banks together control Southern Rock Insurance Company Limited, which held 1,300,000 (2009: 4,000,000) Ordinary shares in Brightside Group plc, and Rock Holdings Limited which held no Ordinary shares (2009: 20,000) in Brightside Group plc at 31 December 2010.

Of the 33,700,286 Ordinary shares representing P S Chase-Gardener's interest in Brightside Group plc at 31 December 2010, 650,000 shares are held by his wife. These shares were also held at 31 December 2009.

Directors' interests in the Share Capital of the Company

The interests of the Directors who held office as at 31 December 2010 were:

Director	Grant Date	No. of share options granted	Option price (pence)	Date first exercisable	Expiry Date
P S Chase-Gardener	23/07/2008	5,000,000	27.5	22/07/2010	22/07/2018
P S Chase-Gardener	29/07/2010	872,727	27.5	28/07/2012	28/07/2020
J W Gannon	23/07/2008	3,125,000	27.5	22/07/2010	22/07/2018
J W Gannon	29/07/2010	318,182	27.5	28/07/2012	28/07/2020
A F A Banks	23/07/2008	3,125,000	27.5	22/07/2010	22/07/2018
A F A Banks	29/07/2010	510,136	27.5	28/07/2012	28/07/2020
C E Fay	23/07/2008	750,000	27.5	22/07/2010	22/07/2018
C E Fay	29/07/2010	272,727	27.5	28/07/2012	28/07/2020
L Hughes	23/07/2008	250,000	27.5	22/07/2010	22/07/2018
H Molyneux	23/07/2008	250,000	27.5	22/07/2010	22/07/2018

Incentive scheme

The Group has awarded share options under EMI, approved and unapproved share option schemes to members of the Board and selected key employees. The Board considers the performance of staff in conjunction with the performance of the Group during the annual salary review process.

Service contracts

Each of the Executive Directors has entered into a service agreement with the Company. The service agreements are terminable on not less than 6 months notice by either party to the other at any time. The service agreements contain provisions for early termination, inter alia, in the event of a breach by the director in question.

The services of the Non Executive Directors are provided under the terms of letters of appointment between them and the Group, and are terminable on not less than 3 months notice by either party to the other at any time.

Julian Telling

Chairman of the Remuneration Committee

Report of the Independent Auditor to the Members of Brightside Group plc

We have audited the group and parent company financial statements ("the financial statements") on pages 33 to 80. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and auditors

As more fully explained in the Directors' Responsibilities Statement set out on page 25, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and the Parent's affairs as at 31 December 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception.

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

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

Heather Wheelhouse ACA (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK
AUDIT LLP, Statutory Auditor

Chartered Accountants
Hartwell House
55-61 Victoria Street
Bristol
BS1 6AD

April 2011

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2010

	Note	Consolidated	
		2010 £000's	2009 £000's
Revenue	6.	66,157	44,700
Cost of sales	7.	(22,965)	(10,740)
Gross profit		43,192	33,960
Administrative expenses	7.	(32,831)	(26,885)
Other income	5.	521	-
Operating profit		10,882	7,075
Finance costs (net)	12.	(810)	(410)
Profit before income tax		10,072	6,665
Income tax expense	14.	(3,578)	(2,010)
Profit for the year from continuing operations		6,494	4,655
Total comprehensive income for the year		6,494	4,655
Attributable to:			
Owners of the parent		6,494	4,655

All activities relate to continuing operations. No other comprehensive income was recognised during the year. Consolidated earnings per share from profit attributable to the owners of the Company during the year:

Basic (pence)	13.	1.48	1.41
Diluted (pence)	13.	1.48	1.41

The notes on pages 38 to 79 are an integral part of these consolidated financial statements.

Consolidated and Company Balance Sheets

As at 31 December 2010

	Note	Consolidated		Company	
		2010 £000's	2009 £000's	2010 £000's	2009 £000's
ASSETS					
Non-current assets					
Property, plant and equipment	19.	608	478	184	155
Intangible assets	16.	46,101	16,642	34,959	5,194
Investment in subsidiaries	18.	-	-	65,000	65,000
Deferred income tax asset	26.	1,628	2,193	6	33
Total non-current assets		48,337	19,313	100,149	70,382
Current assets					
Cash and cash equivalents	21.	7,139	21,488	1,192	14,901
Trade and other receivables	20.	40,702	21,729	29,250	14,531
Total current assets		47,841	43,217	30,442	29,432
TOTAL ASSETS		96,178	62,530	130,591	99,814
EQUITY AND LIABILITIES					
Capital and reserves attributable to the owners of the parent					
Share capital	27.	4,549	4,189	4,549	4,189
Share premium	27.	27,849	34,943	27,849	34,943
Reverse acquisition reserve		2,530	2,530	56,250	56,250
Share based payments reserve		1,157	709	1,157	-
Retained earnings		21,896	176	4,043	(10,175)
Total equity		57,981	42,547	93,848	85,207
Non-current liabilities					
Deferred consideration on acquisition of eCar and eBike policy books	17.	15,650	-	15,650	-
Provisions for other liabilities and charges	25.	141	-	-	-
Long-term borrowings	22.	153	366	-	-
Total non-current liabilities		15,944	366	15,650	-
Current liabilities					
Current income tax liabilities		1,771	1,024	302	-
Trade and other payables	23.	10,211	17,915	20,791	14,607
Provisions for other liabilities and charges	25.	559	293	-	-
Borrowings	22.	9,712	385	-	-
Total current liabilities		22,253	19,617	21,093	14,607
TOTAL EQUITY AND LIABILITIES		96,178	62,530	130,591	99,814

The notes on pages 38 to 79 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 13 April 2011 and were authorised for issue on its behalf by:

P S Chase-Gardener
Director

13 April 2011

Statements of Changes in Shareholders' Equity

For the Year ended 31 December 2010

Consolidated 2009	Attributable to the owners of the parent					Total £000's
	Share Capital £000's	Share Premium £000's	Retained Earnings £000's	Reverse Acquisition Reserve £000's	Share Based Payments Reserve £000's	
Equity as at 1 January 2009	3,265	16,726	(4,479)	2,530	221	18,263
Comprehensive income						
Profit for the year	-	-	4,655	-	-	4,655
Total comprehensive income for the year	-	-	4,655	-	-	4,655
Transactions with the owners						
Issued share capital	924	19,405	-	-	-	20,329
Share issue costs	-	(1,188)	-	-	-	(1,188)
Share based payments reserve	-	-	-	-	488	488
Total transactions with the owners	924	18,217	-	-	488	19,629
Equity as at 31 December 2009	4,189	34,943	176	2,530	709	42,547
Consolidated 2010						
Attributable to owners of the parent						
	Share Capital £000's	Share Premium £000's	Retained Earnings £000's	Reverse Acquisition Reserve £000's	Share Based Payments Reserve £000's	Total £000's
Equity as at 1 January 2010	4,189	34,943	176	2,530	709	42,547
Comprehensive income						
Profit for the year	-	-	6,494	-	-	6,494
Total comprehensive income for the year	-	-	6,494	-	-	6,494
Transactions with the owners						
Issued share capital	360	8,640	-	-	-	9,000
Share issue costs	-	(508)	-	-	-	(508)
Transfer of share premium to distributable reserves	-	(15,226)	15,226	-	-	-
Share based payments reserve	-	-	-	-	448	448
Total transactions with the owners	360	(7,094)	15,226	-	448	8,940
Equity as at 31 December 2010	4,549	27,849	21,896	2,530	1,157	57,981

The profit for the year represents the total comprehensive income for the years 2010 and 2009. The share based payments reserve reflects the fair value of the employee services received in exchange for the share options granted to those specific employees.

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

Notes to the Financial Statements

For the year ended 31 December 2010

1. General Information

The principal activities of Brightside Group plc ("the Company") and its subsidiaries (together "the Group") are insurance broking, the provision of premium finance, the provision of medical reports, lead generation and the provision of debt management solutions.

The Company is a public limited liability company, incorporated and domiciled in the United Kingdom, with its shares listed on the Alternative Investment Market. The address of its registered office is MMT Centre, Severn Bridge, Aust, Bristol, BS35 4BL.

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

2. Summary of Significant Accounting Policies

i. Basis of preparation

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

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

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 2010. None of the amendments to Standards listed below had an impact on the Group.

a. Standards, amendments and interpretations effective in 2010

- IFRS 1 Revised IFRS 1 First-time adoption of IFRS (effective for periods commencing on or after 1 July 2009).
- IFRS 3 Business Combinations – comprehensive revision on applying the method (effective for periods commencing on or after 1 July 2009).
- IAS 27 Consolidated and Separate Financial Statements – amendment arising from IFRS 3 (effective for periods commencing on or after 1 July 2009).
- IAS 28 Investments in Associates – consequential amendments arising from IFRS 3 (effective for periods commencing on or after 1 July 2009).
- IAS 31 Investments in Joint Ventures – consequential amendments arising from IFRS 3 (effective for periods commencing on or after 1 July 2009).
- IAS 39 Financial Instruments: Recognition and Measurement – amendment; eligible hedged items (effective for periods commencing on or after 1 July 2009).
- IFRS 1 First-time Adoption of IFRS – amendment; additional exemptions for first-time adopters (effective for periods commencing on or after 1 January 2010).
- IFRS 2 Share-based Payments – amendment; cash-settled share-based payment transactions (effective for periods commencing on or after 1 January 2010).
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective for periods commencing on or after 1 July 2009).
- IFRIC 18 Transfers of Assets from Customers (effective for periods commencing on or after 1 July 2009).

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

The following standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 January 2011 or later periods but which the Company has not early adopted:

- IAS 32 Financial Instruments: Presentation – amendment; classification of rights issues (effective for periods commencing on or after 1 February 2010).
- IFRS 1 First-time Adoption of IFRS – amendment; limited exemption from comparative IFRS 7 disclosures for first-time adopters (effective for periods commencing on or after 1 July 2010).
- IAS 24 Revised IAS 24 Related Party Disclosures (effective for periods commencing on or after 1 July 2011).
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for periods commencing on or after 1 July 2010).

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

The following amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 January 2011 or later periods but are not relevant for the Company's operations.

- IFRIC 14 Amendment – Prepayments of a Minimum Funding Requirements (effective for periods commencing on or after 1 January 2011).

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 £1.01m (2009 : £9.97m).

iii. Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and entities controlled by the Company (the subsidiaries) made up to 31 December each year.

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

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

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

iv. Going concern

These accounts have been prepared on the going concern basis as the Directors believe that the Group has sufficient funds for the foreseeable future to meet its liabilities as and when they fall due.

In reaching this conclusion the Directors have taken account of:

- the Group's year end total cash balances, net of client account balances of £5.27m;
- the Group's year end trade and other receivables balance of £40.70m;

- the Group's year end total liabilities of £38.20m;
- the profitable trading record of the Group; and
- the 2011 financial projections of the Group, which includes both income and expenditure forecasts for the five year period ending 31 December 2015.

In reaching this conclusion with respect to the Company, the Directors have taken account of:

- the Company incurring losses of £1.01m;
- the Company raising £8.49m net in June 2010 through a new share-placing; and
- the Company's strong balance sheet, with total assets of £130.59m.

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:

Fixtures, fittings and equipment
20% on a straight-line basis

Motor vehicles
25% on a straight-line basis

IT equipment
33% on a straight-line basis

Assets in the course of construction are not depreciated.

vi. Intangible assets

(a) Separately identifiable intangible assets

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

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

The eVan, eCar and eBike policy books categorised within intangibles are stated at historical cost less amortisation. Amortisation is provided at rates calculated to write off the cost of the policy books over their useful economic life. The maximum useful economic life of the policy books is estimated to be five years, with amortisation being provided on the basis of expected customer renewals each year from the acquired policy books as a percentage of total expected renewals from the acquired policy books.

The database of experts and relationships with lead providers categorised within other intangibles are stated at historical cost less amortisation. Amortisation is provided at rates calculated to write off the cost, less estimated residual value, on a straight-line basis over their useful economic life. The database of experts is deemed to have a useful economic life of four years. The relationships with lead providers are deemed to have a useful economic life of four years and one year, depending on whether the provider is NewLaw Solicitors or an unrelated third party respectively.

(b) Goodwill

All goodwill is deemed to have an infinite 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'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses are charged to administrative expenses in the Statement of Comprehensive Income.

Notes to the Financial Statements

For the year ended 31 December 2010

vii. Investment in subsidiary undertakings

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

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

viii. Impairment of non-financial assets

Assets with either an indefinite or infinite 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 cash flows (cash-generating units). Non-financial assets other than goodwill that have previously been impaired are reviewed for possible reversal of the impairment at each balance sheet date.

ix. Financial assets classification

The Group classifies its financial assets in the following categories: loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) 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.

(b) Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the Balance Sheet date.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, which is the date on which the Group commits to purchase or sell the asset. Investments not carried at fair value through the Statement of Comprehensive Income should be initially recognised at fair value. Financial assets carried at fair value through the Statement of Comprehensive Income are initially recognised at fair value, and transaction costs are expensed in the Statement of Comprehensive Income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Offsetting financial instruments

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

Impairment of financial assets

Assets carried at amortised cost.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a

result of one or more events that occurred after the initial recognition of the asset (a "loss event") or that loss event (or events) has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss includes:

- significant financial difficulty of the insurer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the borrower requesting a change in financial terms of an agreed repayment schedule;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - 1) adverse changes in the payment status of borrowers in the portfolio; and
 - 2) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Statement of Comprehensive Income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for

measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the receivable's credit rating), the reversal of the previously recognised impairment loss is recognised in the Statement of Comprehensive Income.

Assets classified as available for sale

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. For trade receivables, the Group uses the criteria above. Impairment losses on equity instruments recognised in profit or loss for the period are not reversed. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Statement of Comprehensive Income, the impairment loss is reversed through the Statement of Comprehensive Income.

x. Trade receivables

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

xi. Cash and cash equivalents

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

xii. Share capital

Ordinary shares are classified as equity in the balance sheet and are recorded as the proceeds received net of direct issue costs.

The costs related to issuing share capital are taken to the share premium account in accordance with IAS 32 'Financial Instruments: Presentation'.

xiii. 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.

xiv. Deferred contingent consideration

Changes in the fair value of deferred contingent consideration that the Group recognises after the acquisition date that are the result of additional information that the Group obtained after that date about facts and circumstances that existed at the acquisition date are measurement period adjustments. However, changes resulting from events after the acquisition date, such as meeting a profit target, are not measurement period adjustments. The Group account for changes in the fair value of contingent consideration classified as an asset or a liability that are not measurement period adjustments by measuring the balance at fair value, with any resulting gain or loss recognised either in profit or loss or in other comprehensive income as appropriate. Contingent consideration where payment is deferred until a later date is discounted to current value using the Group's weighted average cost of capital with the unwinding of the discounted amount recognised in finance costs.

xv. 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.

xvi. Taxation

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

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

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

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

xvii. Employee benefits

The Group provides a non-contributory employer stakeholder pension scheme.

The Group has applied the requirements of IFRS 2 share-based payments which require the fair value of share-based payments to be recognised as an expense.

Certain employees and Directors of the Group have received remuneration in the form of share options over the un-issued shares of the ultimate parent company. The fair value of the equity instruments granted is measured on the date at which they were granted using the Black-Scholes model, and is expensed in the Statement of Comprehensive Income over the appropriate vesting period. At the end of each reporting period, the Group revises its estimate of the number of options expected to vest in calculating the appropriate annual charge.

Notes to the Financial Statements

For the year ended 31 December 2010

xviii. Revenue recognition

Group revenue represents insurance commission and brokerage fees, interest received from its premium financing business, management fees from the management of third party premium finance loan books, administration charges generated from its debt management business, income generated from the sale of leads and fee income generated by its medical reporting business.

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.

Insurance commission and fee income is recognised on the date the underlying insurance policy goes on risk. Fee income relating to the medical reporting business is recognised when the medical report is provided to the business.

Interest derived from premium financing activities is spread across the life of the loan at the effective interest rate.

Management fees generated from the administration of third-party loan books are recognised in the month the policy is financed.

Administration charges generated from debt management activities are recognised at the time the service is provided.

xix. Operating profit

Operating profit is calculated as profit before income tax and finance costs.

xx. Segmental reporting

The Group has adopted IFRS 8 "Operating Segments". IFRS 8 requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker which is used to allocate resources to segments and to assess segmental performance. The Chief

Operating Decision Maker has been identified as the Board of Directors.

xxi. Leases

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

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

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

xxii. Call options

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

3. Financial risk management

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

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse affects of the Group's financial performance.

Risk management is carried out by the central treasury function, implementing policies approved by the Board of Directors.

i. 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 and profitably. To manage liquidity risk the Group continually monitors forecast and actual cash flows 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 cash balances, net of client account balances, of £5.27m (2009: £16.13m), trade and other receivables of £40.70m (2009: £21.73m) and total liabilities of £38.20m (2009: £19.98m). During the year the Group negotiated new banking facilities with Clydesdale Bank to support its premium financing activities. This replaced the facility with Royal Bank of Scotland, which expired in the second quarter of 2010.

Following additional equity fund raising in June 2010 the Directors deem the Group's liquidity risk to be minimal.

The Group's non-derivative financial liabilities are analysed into borrowings and trade and other payables. The maturity profile of the borrowings are shown in note 22. Trade and other payables at 31 December 2010 were £10.21m (2009: £17.92m) and are due within one year of the balance sheet date.

ii. Interest rate risk

The Group is exposed to interest rate risk as the Group borrows at fluctuating (bank borrowing) interest rates and provides premium finance at fixed rates. The Group monitors its banking facilities and compliance with related covenants as required. Group monies are also monitored to ensure that the minimum interest charges are paid on borrowings by ensuring that available cash balances are used to offset overdrafts before being deposited at lower interest rates.

At the balance sheet date the Group had total bank borrowings of £9.50m (2009: £0.03m). This borrowing was held with Clydesdale Bank to support its premium

financing activities. Apart from the borrowing for premium finance purposes the Group does not have any structural debt.

iii. Interest rate sensitivity

The Group is subject to interest rate sensitivity as its bank borrowings and other loans have fluctuating interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year would have decreased/increased by £31k (2009: £47k). The effect on equity as at 31 December 2010 would be to cause equity to increase to £58,012k (2009: £42,594k), or decrease to £57,950k (2009: £42,500k).

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

iv. Credit risk

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

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

The Group had total receivables at the balance sheet date of £40.7m. Of this amount £25.7m related to amounts owed to our insurance broking and premium finance businesses. These balances are not deemed to represent an exposure to credit risk as a failure by the individual debtor to repay the amounts due would result in the Group cancelling their underlying insurance policy, and therefore recovering any amounts due from the insurance company rather than the individual themselves. The Group's maximum credit risk exposure is therefore deemed to equate to its non

insurance broking and premium finance trade receivables balance of £15.0m (2009: £7.5m).

No terms of the Group's financial assets, including its trade receivables, have been renegotiated during either the current or the prior year, which would otherwise have resulted in the balance being past due or impaired.

v. Financial liabilities

Financial liabilities include bank overdrafts and other loans. See note 22 for the maturity profiles applicable to these. The weighted average interest paid on the bank overdrafts during the year ended 31 December 2010 was 2.5% (2009: 3.47%).

vi. Financial assets

Other than trade receivables due to the Group's finance provider, the Group holds no fixed rate financial assets (2009: nil).

Floating rate assets comprise sterling cash balances.

vii. Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to minimise the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt. Going forward the Group will also consider the level and timing of dividend payments when assessing its capital structure.

Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. Net debt is calculated as total 'current and non current borrowings' as shown in the consolidated balance sheet.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Board of Directors monitors the return on capital which it defines as net

operating income divided by total shareholder's equity.

The return on capital for the year ended 31 December 2010 is 16% (2009 : 14%), which is consistent with the prior year. Excluding the impact of the additional equity issued in June 2010, the return on capital for the year ended 31 December 2010 would have been 18%.

The gearing ratios of the Group as at 31 December 2010 and 2009 were as follows:

	2010 £000's	2009 £000's
Total borrowings	9,865	751
Net debt	9,865	751
Total equity	57,981	42,547
Total capital	67,846	43,298
Gearing	15%	2%

Of the total group borrowings £9.5m relates to borrowings used to support the premium finance loan book. As a result the Board considers that the Group has no structured debt. Excluding the borrowings used to support the premium finance loan book the Group's gearing ratio would be 1%.

viii. External capital requirements

The Group's business is subject to regulatory and solvency requirements of the Financial Services Authority (FSA). The FSA imposes specific solvency requirements on regulated group companies. All of the regulated group companies exceeded their solvency requirements at all times during the years ended 31 December 2010 and 2009.

Notes to the Financial Statements

For the year ended 31 December 2010

4. Critical accounting estimates and judgments

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

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

Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2, section vi. These calculations require the use of estimates and assumptions prepared by the Directors as detailed in note 16. The value of goodwill currently held in the balance sheet is £41.85m (2009: £14.27m). The split of goodwill and net assets acquired can be seen in note 17.

Deferred tax asset

As at 31 December 2010, David & Co. Consultants Limited held a deferred tax asset of £1.43m resulting from historic trading losses. These losses can only be utilised if David & Co. Consultants Limited continues to trade profitably in the future. The recoverability of the deferred tax asset has been assessed based on the pre-tax cash flows obtained from financial budgets approved by management covering the five-year period ended 31 December 2015.

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

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

Business combinations

After apportioning fair values to any tangible assets and liabilities, all business combinations are reviewed to attribute fair values to separately identifiable intangible fixed assets. The excess of the cost of the acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. If any deferred consideration is due on the purchase the fair value is assessed and where applicable discounted using the Group's weighted average cost of capital which has been calculated as 7.1% and included in the cost of acquisition. For further details on the adjustment to the fair value of the deferred consideration see Note 17. The fair value of the deferred consideration is reviewed at each reporting date and any change is posted to the Statement of Comprehensive Income.

Revenue recognition

In the year ended 31 December 2010 the Group has recognised revenue of £4.01m (2009: £1.79m) in relation to sales of life assurance policies.

Where the customer cancels their policy within 48 months of inception a proportion of the sales commission received by the Group on the sale of the policy is subject to clawback by the insurer.

The Group believes that, based on historical experience, the total future clawback will not exceed 15.6% of the total potential clawback liability at the year end.

The Group has, therefore, recognised revenue on these transactions with a corresponding provision for future clawback. If the estimate changes by 1%, the lapse provision will be reduced/increased by £45k (2009: £15k).

Trade and other receivables

Within the Balance Sheet, the Group has recognised £40.70m of trade and other receivables (2009: £21.73m) of which £0.64m are past due but not impaired (2009: £0.91m).

The total amount of trade and other receivable of £25.7m related to amounts owed to our insurance broking and premium finance businesses. These balances are not deemed to represent an exposure to credit risk as a failure by the individual debtor to repay the amounts due would result in the Group cancelling their underlying insurance policy, and therefore recovering any amounts due from the insurance company rather than the individual themselves. The Group's maximum credit risk exposure is therefore deemed to equate to its non-insurance broking and premium finance trade receivables balance of £15.0m (2009: £7.5m).

Against the receivables balance the Group has recognised a provision for impairment of £0.32m (2009: £0.41m), representing 0.78% (2009: 1.89%) of the overall trade receivables balance.

If the actual percentage of bad debts experienced by the Group differed by 1% to that estimated, the provision made would be under/over stated by £410k (2009: £221k).

5. Other income

	2010 £000's	2009 £000's
Change in fair value relating to deferred consideration	521	-
Total	521	-

For further details see note 17.

6. Revenue by nature

The breakdown of revenue by category is as follows:

	2010 £000's	2009 £000's
Commission and fees	60,358	41,496
Interest	5,799	3,204
Total	66,157	44,700

7. Expenses by nature

Profit from continuing operations has been arrived at after charging:

	2010 £000's	2009 £000's
Depreciation charge	265	256
Operating lease rentals – Land and Buildings	994	860
Operating lease rentals – Other	689	727
Employee benefit expense	18,438	15,184
Auditor's remuneration (see note 9 for split)	235	223
Amortisation of intangible assets	2,450	1,865
Loss/(Profit) on disposal of property, plant and equipment	4	(14)
Marketing costs	22,965	10,740
Computer operating expenses	2,110	1,511
Provision for Life policy cancellations	406	289
Other expense	7,240	5,984
Total cost of sales and administration expenses	55,796	37,625

Notes to the Financial Statements

For the year ended 31 December 2010

8. Earnings before exceptional other income, interest, tax, depreciation, amortisation, and share-based payments charge

	2010 £000's	2009 £000's
Profit for the year	6,494	4,655
Other income	(521)	-
Finance costs (net)	810	410
Income tax expense	3,578	2,010
Depreciation	265	256
Amortisation	2,450	1,865
Share-based payments charge	448	488
EBITDA before exceptional other income and share-based payments charge	13,524	9,684

9. Auditor remuneration

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

	2010 £000's	2009 £000's
Fees payable to the company's auditor for the audit of the parent company and consolidated financial statements	41	41
Fees payable to the company's auditor and its associates for other services:		
– The audit of the company's subsidiaries pursuant to legislation	124	126
– Other services pursuant to legislation	16	20
– Tax services for subsidiary companies	-	23
– Tax services for parent company	-	13
– Other services	36	-
– Other tax services	4	-
Fees paid to the company's auditor and its associates for other services relating to the prior year:		
– The audit of the parent company and consolidated financial statements	11	-
– Tax services for parent company and consolidated statements	3	-
Total	235	223

During the year additional fees of £26k (2009: £29k) were paid to Baker Tilly UK Audit LLP and its related entities for assistance with ordinary share issues and have been included within share premium as per IAS 32.

10. Employee benefit expense

	2010 £000's	2009 £000's
Wages and salaries	16,390	13,398
Social security costs	1,600	1,298
Share-based payments charge	448	488
Total	18,438	15,184

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

	2010 Number	2009 Number
Directors	8	8
Sales and administration	666	557
Total	674	565

The Directors shown above are those of Brightside Group plc only. The Company has no employees, other than those Directors detailed in the Officers' report on page 27.

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

Notes to the Financial Statements

For the year ended 31 December 2010

11. Share options

The Brightside Group operates three equity settled share option schemes: an EMI scheme, an approved scheme and an unapproved scheme. During the year, Board members and employees of the Group were granted 5,119,180 options (2009: nil) under the unapproved share scheme and 3,266,921 (2009: nil) under the approved share scheme. The Group is no longer able to award options under the EMI scheme. No options were exercised in the year.

The Group has used the Black-Scholes model to calculate the fair value of options granted. The key inputs relating to the Group are as follows:

	Unapproved Share Scheme 2010	Unapproved Share Scheme 2008	Approved Share Scheme 2010	Approved Share Scheme 2008
Share price at date of grant	27.5p	27.5p	27.5p	27.5p
Exercise price	27.5p	27.5p	27.5p	27.5p
Expected volatility	39.8%	25%	39.8%	25%
Expected life	4.00 years	6.25 years	4.50 years	6.75 years
Risk-free rate	3.37%	5%	3.37%	5%
Dividend yield	0	0	0	0
Discount factor	0%	35%	0%	35%

In relation to the share options granted in 2008, the expected volatility was determined using the historic volatility of shares in similar listed companies due to the limited trading history of Brightside Group shares at the time.

In relation to the share options granted in 2010, the historic volatility was determined using the historic share price of Brightside Group for the period 30 June 2008 to 28 September 2010.

No share options under the approved scheme have vested at 31 December 2010 (2009: nil) and 1,154,956 (2009: 1,073,156) were forfeited in the year as detailed on the next page.

Under the unapproved scheme, 7,665,892 share options vested in 2010 (2009: nil), and 430,111 (2009: 337,370) were forfeited in the year as detailed on the next page.

Share options awarded under the EMI scheme vested on 4 January 2009. No share options awarded under this scheme were exercised during 2010 (2009: nil).

Unapproved share scheme

On 23 July 2008 and 29 July 2010 the Group granted 15,699,153 and 5,119,180 share options respectively to its Board members and employees, subject to the achievement of specified performance conditions. The options vest in two equal instalments, two and three years after the grant date.

Approved share scheme

On 23 July 2008 and 29 July 2010 the Group granted 5,450,290 and 3,266,921 share options respectively to its Board members and employees, subject to the achievement of specified performance conditions. The options vest in two equal instalments, three and four years after the grant date.

11. Share options – continued

Type of Share Option Scheme	Price (pence)	Awarded (Date)	Exercisable	At 1 Jan 2010 (Number)	Awards in year (Number)	Forfeited in year (Number)	At 31 Dec 2010 (Number)
EMI	69.0	05/01/2007	04/01/2009 – 04/01/2017	50,725	-	-	50,725
HMRC approved	27.5	23/07/2008	22/07/2011 – 22/07/2018	4,377,134	-	(664,748)	3,712,386
HMRC approved	27.5	28/07/2010	22/07/2013 – 22/07/2020	-	3,266,921	(490,208)	2,776,713
Unapproved	27.5	23/07/2008	22/07/2010 – 22/07/2017	15,331,783	-	(335,566)	14,996,217
Unapproved	27.5	28/07/2010	22/07/2012 – 22/07/2019	-	5,119,180	(94,545)	5,024,635
Total				19,759,642	8,386,101	(1,585,067)	26,560,676

The fair value of options issued in the year was £647k (2009: nil). The total amount charged to the Statement of Comprehensive Income for 2010 in relation to share-based payments is £448k (2009: £488k).

12. Finance costs

	2010 £000's	2009 £000's
Bank overdraft	(98)	(117)
Bank borrowings	(39)	(52)
Preference share interest	-	(107)
Unwinding of discount on deferred consideration	(545)	-
Other interest expense	(221)	(352)
Total finance costs	(903)	(628)
Other interest received	93	218
Net finance costs	(810)	(410)

Notes to the Financial Statements

For the year ended 31 December 2010

13. Earnings per share

The post-tax earnings, all of which relate to continuing operations in the year, and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share, are as follows:

	2010 £000's	2009 £000's
Retained profit for the year	6,494	4,655
Weighted average number of shares in issue	Number	Number
Basic	439,197,217	329,288,639
Diluted	439,197,217	329,288,639

In accordance with IAS 33 paragraph 47 there are no dilutive effects on the earnings per share calculations as the average market price of ordinary shares in the Brightside Group during 2010 and 2009 was below the exercise price of the outstanding share options granted.

14. Income tax expense

	2010 £000's	2009 £000's
Current tax	2,977	2,279
Deferred tax	522	(264)
Adjustments in respect of prior periods	79	(5)
Tax charge for the year	3,578	2,010

Taxation differs from the standard rate of corporation tax in the UK (28%) (2009 : 28%) as applied to the profits as explained below:

	2010 £000's	2009 £000's
Profit before taxation	10,072	6,665
Profit multiplied by the standard rate of taxation in the UK of 28% (2009 : 28%)	2,820	1,866
Effects of:		
Expenses not deductible for tax purposes	239	97
Utilisation of losses	(68)	-
Origination and reversal of temporary differences	(14)	52
Adjustments in respect of prior periods	79	(5)
Short-term temporary differences	(21)	-
Unused tax losses and credits	573	-
Short-term provisions	(30)	-
Tax charge for the year	3,578	2,010

15. Segment information

Business segments (primary segment)

Operating segments

IFRS 8 requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker which is used to allocate resources to segments and to assess performance. The Chief Operating Decision Maker has been identified as the Board of Directors. The Board of Directors reviews the Group's consolidated management accounts in order to assess the operational performance of the Group's operating segments.

Monthly management accounts are prepared for each statutory entity within the Group. These are subsequently consolidated to form monthly management accounts for the combined Group. The information contained within the consolidated management accounts includes a Statement of Comprehensive Income, Balance Sheet, Cash Flow Statement and other supporting schedules, broken down by statutory entity within the Group.

To assess the performance of the individual operating segments and for the purpose of strategic decision-making, the Board of Directors will consider a number of different measures of operational achievement, including revenue growth, profit after tax, profit before tax and profit before interest, tax, non-cash expenses and exceptional items.

Management considers that the Group operates within the following distinct operating segments: offline insurance broking (non-life), online insurance broking (non-life), the broking of life assurance, the provision of premium finance, the provision of medical reporting and lead generation and debt management.

Whilst the Group operates from a number of different geographical locations, these locations all provide services to customers across the UK irrespective of their geographical location. Therefore it has not been deemed appropriate to provide segmental analysis on a geographical basis.

The operating segments within the Group primarily trade with customers external to the Group. However the lead generation and premium finance functions also trade with other Group companies. Whilst information provided within the individual management accounts is presented on a gross basis, any intra-group trading is excluded from the consolidated management accounts through consolidation adjustments. The revenue figures reported in the segmental analysis have been prepared showing the gross revenue figure and include a consolidation adjustment which removes the effect of intra-group trading.

In the segmental analysis, intangibles represent goodwill held within intermediate holding companies, and goodwill and intangibles held within the company balance sheet of Brightside.

Notes to the Financial Statements

For the year ended 31 December 2010

15. Segment information – continued

	Offline Insurance Broking (non Life)		Online Insurance Broking (non Life)		Broking of Life Assurance		Finance Provider	
	2010 £000's	2009 £000's	2010 £000's	2009 £000's	2010 £000's	2009 £000's	2010 £000's	2009 £000's
Revenue from external customers:								
Revenue – trading	23,018	21,004	15,874	5,862	4,011	1,789	8,386	6,638
Total revenue from customers	23,018	21,004	15,874	5,862	4,011	1,789	8,386	6,638
Intercompany trading elimination	-	-	-	-	-	-	-	-
Marketing and Facility recharge function	-	-	-	-	-	-	-	-
Total revenue	23,018	21,004	15,874	5,862	4,011	1,789	8,386	6,638
Operating income	3,034	3,457	5,658	977	(2,597)	(285)	4,423	3,801
Fair value adjustment for deferred consideration	-	-	-	-	-	-	-	-
Share-based payments charge	(242)	(265)	(59)	(100)	(27)	-	(58)	(97)
Depreciation	(171)	(177)	(28)	(20)	(19)	(7)	(17)	(19)
Amortisation of intangible assets	(169)	(505)	(1,532)	(601)	(43)	(11)	(189)	(244)
Net financing costs	(122)	(472)	(2)	(5)	-	-	(126)	90
Profit for the period before tax	2,330	2,038	4,037	251	(2,686)	(303)	4,033	3,531
Segment current assets	3,133	17,704	3,437	4,069	338	343	30,378	15,074
Property, plant and equipment	350	293	78	63	49	27	24	38
Intangible assets	36,252	6,554	246	244	176	57	181	273
Total assets excluding tax	39,735	24,551	3,761	4,376	563	427	30,583	15,385
Total liabilities excluding tax	17,036	715	1,677	4,138	949	364	14,167	11,711

	Medical Reporting		Lead Generation and Debt Management		All other segments		Consolidated	
	2010 £000's	2009 £000's	2010 £000's	2009 £000's	2010 £000's	2009 £000's	2010 £000's	2009 £000's
Revenue from external customers:								
Revenue – trading	9,755	6,705	3,700	2,593	-	-	64,744	44,591
Total revenue from customers	9,755	6,705	3,700	2,593	-	-	64,744	44,591
Intercompany trading elimination	-	-	-	-	-	-	(2,682)	(1,448)
Marketing and Facility recharge function	-	-	-	-	-	-	4,095	1,557
Total revenue	9,755	6,705	3,700	2,593	-	-	66,157	44,700
Operating income	2,526	1,312	456	422	24	-	13,524	9,684
Fair value adjustment for deferred consideration	-	-	-	-	521	-	521	-
Share-based payments charge	(53)	(24)	(9)	(2)	-	-	(448)	(488)
Depreciation	(3)	(1)	(27)	(32)	-	-	(265)	(256)
Amortisation of intangible assets	(8)	(4)	(128)	(119)	(381)	(381)	(2,450)	(1,865)
Net financing costs	(13)	(13)	(2)	(10)	(545)	-	(810)	(410)
Profit for the period before tax	2,449	1,270	290	259	(381)	(381)	10,072	6,665
Segment current assets	9,002	4,918	1,553	1,109	-	-	47,841	43,217
Property, plant and equipment	20	4	87	53	-	-	608	478
Intangible assets	5,383	5,763	3,863	3,751	-	-	46,101	16,642
Total assets excluding tax	14,405	10,685	5,503	4,913	-	-	94,550	60,337
Total liabilities excluding tax	2,389	1,902	208	129	-	-	36,426	18,959

Notes to the Financial Statements

For the year ended 31 December 2010

16. Intangible assets

The amortisation charge for 2010 and 2009 has been included within administrative expenses in the Statement of Comprehensive Income.

	Consolidated			
	Goodwill £000's	Other Intangibles £000's	Computer Software and Licences £000's	Total £000's
Cost				
Opening balance as at 1 January 2010	16,156	4,678	3,964	24,798
Additions	27,582	3,594	736	31,912
Disposals	-	-	(777)	(777)
Balance at 31 December 2010	43,738	8,272	3,923	55,933
Amortisation and impairment losses				
Opening balance as at 1 January 2010	(1,886)	(3,584)	(2,686)	(8,156)
Amortisation	-	(1,804)	(646)	(2,450)
Disposals	-	-	774	774
Balance at 31 December 2010	(1,886)	(5,388)	(2,558)	(9,832)
Net book value				
At 31 December 2009	14,270	1,094	1,278	16,642
At 31 December 2010	41,852	2,884	1,365	46,101

16. Intangible assets – continued

	Consolidated			
	Goodwill £000's	Other Intangibles £000's	Computer Software and Licences £000's	Total £000's
Cost				
Opening balance at 1 January 2009	16,156	4,678	3,103	23,937
Additions	-	-	899	899
Disposals	-	-	(38)	(38)
Balance at 31 December 2009	16,156	4,678	3,964	24,798
Amortisation and impairment losses				
Opening balance as at 1 January 2009	(1,886)	(2,584)	(1,832)	(6,302)
Amortisation	-	(1,000)	(865)	(1,865)
Disposals	-	-	11	11
Balance at 31 December 2009	(1,886)	(3,584)	(2,686)	(8,156)
Net book value				
At 31 December 2008	14,270	2,094	1,271	17,635
At 31 December 2009	14,270	1,094	1,278	16,642

Notes to the Financial Statements

For the year ended 31 December 2010

16. Intangible assets – continued

	Company			
	Goodwill £000's	Other Intangibles £000's	Computer Software and Licences £000's	Total £000's
Cost				
Opening balance as at 1 January 2010	3,371	2,228	156	5,755
Additions	27,582	3,594	81	31,257
Balance at 31 December 2010	30,953	5,822	237	37,012
Amortisation and impairment losses				
Opening balance as at 1 January 2010	-	(556)	(5)	(561)
Amortisation	-	(1,423)	(69)	(1,492)
Balance at 31 December 2010	-	(1,979)	(74)	(2,053)
Net book value				
At 31 December 2009	3,371	1,672	151	5,194
At 31 December 2010	30,953	3,843	163	34,959

	Company			
	Goodwill £000's	Other Intangibles £000's	Computer Software and Licences £000's	Total £000's
Cost				
Opening balance at 1 January 2009	3,371	2,181	-	5,552
Additions	-	47	156	203
Balance at 31 December 2009	3,371	2,228	156	5,755
Amortisation and impairment losses				
Opening balance as at 1 January 2009	-	-	-	-
Amortisation	-	(556)	(5)	(561)
Balance at 31 December 2009	-	(556)	(5)	(561)
Net book value				
At 31 December 2008	3,371	2,181	-	5,552
At 31 December 2009	3,371	1,672	151	5,194

16. Intangible assets – continued

	Consolidated		
	Cost £000's	Amortisation £000's	Net Book Value £000's
At 1 January 2009			
Database of experts	1,189	(237)	952
Policy books	3,382	(2,347)	1,035
Intangible balance resulting from reverse acquisition	107	-	107
Total	4,678	(2,584)	2,094
At 1 January 2010			
Database of experts	1,189	(618)	571
Policy books	3,382	(2,966)	416
Intangible balance resulting from reverse acquisition	107	-	107
Total	4,678	(3,584)	1,094
At 31 December 2010			
Database of experts	1,189	(999)	190
Policy books	6,976	(4,389)	2,587
Intangible balance resulting from reverse acquisition	107	-	107
Total	8,272	(5,388)	2,884

	Company		
	Cost £000's	Amortisation £000's	Net Book Value £000's
At 1 January 2009			
Database of experts	-	-	-
Policy books	945	-	945
Intangible balance resulting from reverse acquisition	1,236	-	1,236
Total	2,181	-	2,181
At 1 January 2010			
Database of experts	-	-	-
Policy books	945	(556)	389
Intangible balance resulting from reverse acquisition	1,283	-	1,283
Total	2,228	(556)	1,672
At 31 December 2010			
Database of experts	-	-	-
Policy books	4,539	(1,979)	2,560
Intangible balance resulting from reverse acquisition	1,283	-	1,283
Total	5,822	(1,979)	3,843

Notes to the Financial Statements

For the year ended 31 December 2010

16. Intangible assets – continued

Details concerning the movements in intangible assets in 2009 and the split of 'Other Intangibles' are provided in this note.

The intangible asset additions in 2009 relate to the following:

	Other Intangible Assets £000's	Goodwill £000's	2009 Total £000's
Software	899	-	899
Total	899	-	899

The intangible asset additions in 2010 relate to the following:

	Other Intangible Assets £000's	Goodwill £000's	2010 Total £000's
Goodwill arising on acquisition of the eBike business	-	3,214	3,214
Future net income to be generated from the existing eBike policy book	1,150	-	1,150
Goodwill arising on acquisition of eCar business	-	24,284	24,284
Future net income to be generated from the existing eCar policy book	2,444	-	2,444
Additional goodwill arising on the acquisition of the eVan business	-	84	84
Computer software and licences	736	-	736
Total	4,330	27,582	31,912

16. Intangible assets – continued

Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units identified according to operating segment. The carrying values of goodwill are as follows:

- arising on acquisition of Injury QED Limited £5,171k
- arising on acquisition of Brightside Group plc £3,525k
- arising on acquisition of minority interests in insurance broking business £2,203k
- arising on acquisition of eVan business £3,455k
- arising on acquisition of eCar business £24,284k
- arising on acquisition of eBike business £3,214k.

The recoverable amount is determined on the basis of value in use calculations. These calculations use pre tax cash flow projections based on financial budgets approved by management covering the five year period ended 31 December 2015.

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

Acquisition of Injury QED Limited

- growth rate of new instructions received; and
- average net income per instruction received.

Acquisition of Brightside Group plc

- growth in leads generated through the lead generation activities; and
- average income per lead generated.

Acquisition of Minority Interest in CVD Commercial Insurance Services Limited, Motor and Home Direct Insurance Services Limited and Taxi Direct Insurance Services Limited.

- growth of new policy quotes;
- new policy quote to sale conversion rate;
- renewal retention rate; and
- income per policy sold.

Acquisition of eVan, eCar and eBike businesses

- growth of new policy quotes;
- new policy quote to sale conversion rate;
- renewal retention rate; and
- income per policy sold.

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. Projections are also based on current industry knowledge and trends.

The cash flow forecasts used in the value in use calculations have not been extended beyond the five-year period covered by management's financial budgets.

A discount rate of 7.1% has been applied to all cash flow projections.

From the annual impairment review of the goodwill balances relating to the acquisition of Injury QED Limited, the acquisition of minority interest in the Group's broking business and the acquisition of the eVan, eCar and eBike businesses, no reasonably possible changes in key assumptions were identified which would result in the goodwill balance exceeding the recoverable amount.

From the review of the goodwill balance relating to the acquisition of Brightside Group plc, the following reasonably possible change was identified which would result in the carrying value of the goodwill balance exceeding its recoverable amount and requiring a charge to be made to profit or loss:

If commission rates on the sale of GAP policies were to decrease by 2.5%, the recoverable amount would exceed the carrying value of goodwill by £138k. For the recoverable amount to be less than the carrying value of goodwill, the commission rate would need to decrease by approximately 5%. A decrease of 5% would cause the carrying value to exceed the recoverable amount by £162k.

Notes to the Financial Statements

For the year ended 31 December 2010

17. Business combination

In June 2010, Brightside Group plc acquired the new business and renewal rights of the eCar and eBike insurance policy books. Trading of these commenced on 1 July 2010. The payment of the initial consideration was financed by a placing of ordinary shares to raise net proceeds of £8.5 million and £7.0 million from the Company's existing cash resources and bank facilities. Deferred consideration of an amount equal to £15.6m (discounted) was recognised. The final amount of deferred consideration will be adjusted by reference to the net profits of the eCar and eBike businesses – in the case of eBike, over the 12 month period following completion of the Sale and Purchase Agreement and, in the case of eCar, over the second period of 12 months following completion, capped at a maximum of £19.1m (undiscounted). The minimum amount payable is nil.

Fair values were attributed to the separately identifiable intangible assets acquired. The excess of the fair value of the cost of the acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill.

	eCar £000's	eBike £000's	Total £000's
Purchase consideration			
Cash	12,410	3,056	15,466
Deferred consideration	14,318	1,308	15,626
Subtotal	26,728	4,364	31,092
Fair value of net assets acquired	2,444	1,150	3,594
Goodwill	24,284	3,214	27,498
Total	26,728	4,364	31,092

The assets and liabilities arising from the acquisition of eCar and eBike are as follows:

	Fair value amount £000's	Acquiree's carrying value £000's
Future net income to be generated from the existing eCar policy book	2,444	-
Future net income to be generated from the existing eBike policy book	1,150	-
	3,594	-

17. Business combination – continued

The acquired eCar and eBike policy books have been separately identified as intangible assets.

The goodwill arising from the acquisition is attributable to other intangible assets that cannot be separately identified and measured, and relates to growth prospects and synergies arising from cross-selling and cost-saving opportunities. None of the goodwill recognised is expected to be deductible for income tax purposes.

The revenue included in the Consolidated Statement of Comprehensive Income since 1 July 2010 contributed by eCar and eBike was £9.1m. These policy books also contributed profit before income tax and amortisation charges relating to the acquired policy books of £3.4m over the same period.

Had eCar and eBike been consolidated from 1 January 2010, the Consolidated Statement of Comprehensive Income for the Group would show a total revenue of £75.3m, and profit before income tax and amortisation charges relating to the acquired policy books of £14.1m.

The deferred consideration on the eCar and eBike policy book purchases was assessed as a fair value of £15.6m (£19.1m undiscounted) at the date of acquisition. No disclosure and recognition of the deferred consideration was made at the half year. This omission has been corrected in these accounts.

The assessment of this deferred consideration has been revised at the year end as a result of the performance of the business, reducing the fair value of the deferred consideration by £521k, which has been recognised as other income. The remaining movement in the fair value of the deferred consideration is due to the unwinding of the discounted cash flow for the six month period post-acquisition, using a discount rate of 7.1%. This has been recognised in finance costs and amounts to £545k.

As a result, the fair value of the deferred consideration balance at the year end is £15.65m (£18.6m undiscounted).

The deferred consideration will be paid for using cash generated by the business.

Notes to the Financial Statements

For the year ended 31 December 2010

18. Investments in subsidiary undertakings

Company	2010 £000's	2009 £000's
Shares in Group undertakings At 1 January and 31 December	65,000	65,000

Investments in Group undertakings are stated at cost.

19. Property, plant and equipment

The depreciation charge for 2009 and 2010 has been included within administrative expenses in the Consolidated Statement of Comprehensive Income.

	Consolidated			
	Fixtures, Fittings and Equipment £000's	Motor Vehicles £000's	IT Hardware £000's	Total £000's
Cost				
Opening balance at 1 January 2010	483	11	752	1,246
Additions	93	8	338	439
Disposals	(8)	(8)	(47)	(63)
Balance at 31 December 2010	568	11	1,043	1,622
Depreciation and impairment losses				
Opening balance at 1 January 2010	(242)	(8)	(518)	(768)
Depreciation	(78)	(3)	(184)	(265)
Disposals	2	-	17	19
Balance at 31 December 2010	(318)	(11)	(685)	(1,014)
Net book value				
At 31 December 2009	241	3	234	478
At 31 December 2010	250	-	358	608

19. Property, plant and equipment – continued

	Consolidated			
	Fixtures, Fittings and Equipment £000's	Motor Vehicles £000's	IT Hardware £000's	Total £000's
Cost				
Opening balance at 1 January 2009	324	21	552	897
Additions	251	-	324	575
Disposals	(92)	(10)	(124)	(226)
Balance at 31 December 2009	483	11	752	1,246
Depreciation and impairment losses				
Opening balance at 1 January 2009	(173)	(8)	(368)	(549)
Depreciation	(78)	(4)	(174)	(256)
Disposals	9	4	24	37
Balance at 31 December 2009	(242)	(8)	(518)	(768)
Net book value				
At 31 December 2008	151	13	184	348
At 31 December 2009	241	3	234	478

Notes to the Financial Statements

For the year ended 31 December 2010

19. Property, plant and equipment – continued

	Company			
	Fixtures, Fittings and Equipment £000's	Motor Vehicles £000's	IT Hardware £000's	Total £000's
Cost				
Opening balance at 1 January 2010	60	-	99	159
Additions	15	8	78	101
Disposals	-	(8)	-	(8)
Balance at 31 December 2010	75	-	177	252
Depreciation and impairment losses				
Opening balance at 1 January 2010	(1)	-	(3)	(4)
Depreciation	(16)	-	(48)	(64)
Balance at 31 December 2010	(17)	-	(51)	(68)
Net book value				
At 31 December 2009	59	-	96	155
At 31 December 2010	58	-	126	184

	Company			
	Fixtures, Fittings and Equipment £000's	Motor Vehicles £000's	IT Hardware £000's	Total £000's
Cost				
Opening balance at 1 January 2009	-	-	-	-
Additions	60	-	99	159
Balance at 31 December 2009	60	-	99	159
Depreciation and impairment losses				
Opening balance at 1 January 2009	-	-	-	-
Depreciation	(1)	-	(3)	(4)
Balance at 31 December 2009	(1)	-	(3)	(4)
Net book value				
At 31 December 2008	-	-	-	-
At 31 December 2009	59	-	96	155

20. Trade and other receivables

	Consolidated		Company	
	2010 £000's	2009 £000's	2010 £000's	2009 £000's
Trade receivables	715	889	-	-
Loans and advances due from clients	24,985	13,367	-	-
Less: provision for impairment of trade receivables	(321)	(408)	-	-
Trade receivables – net	25,379	13,848	-	-
Prepayments and accrued income	1,337	1,015	1,353	1,147
Receivables from Group undertakings	-	-	26,610	12,020
Receivables from related parties	12,577	4,538	1,188	1,364
Other receivables	1,409	2,328	99	-
	40,702	21,729	29,250	14,531
Current portion	40,702	21,729	29,250	14,531

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

At 31 December 2010, trade receivables of £635k (2009 : £909k) were past due but not impaired. These relate to a number of individual customers for whom there is no history of default. The ageing analysis of these trade receivables is as follows:

	2010 £000's	2009 £000's
Up to one month	225	250
Up to two months	175	341
Up to three months	230	152
Over three months	5	166
Total	635	909

The creation and release of a provision for impaired receivables has been included in 'administrative expenses' in the Consolidated Statement of Comprehensive Income.

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

	2010 £000's	2009 £000's
At 1 January	408	242
Provision for receivables impairment	41	307
Unused amounts reversed	(128)	(141)
Total	321	408

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

Notes to the Financial Statements

For the year ended 31 December 2010

21. Cash and cash equivalents

	Consolidated		Company	
	2010 £000's	2009 £000's	2010 £000's	2009 £000's
Bank balances	7,139	21,488	1,192	14,901
Bank overdrafts	-	(30)	-	-
Total	7,139	21,458	1,192	14,901

Included within bank balances is £1,872k (2009 : £5,328k) held in client bank accounts. These balances cannot be utilised by the Group for general purposes. Bank overdrafts are disclosed within borrowings (note 22).

The Company bank balances do not include any client bank accounts.

22. Borrowings

	Consolidated		Company	
	2010 £000's	2009 £000's	2010 £000's	2009 £000's
Non current liabilities				
Other loans	153	366	-	-
Total	153	366	-	-
Current liabilities				
Other loans	212	355	-	-
Total operational borrowing	212	355	-	-
Bank overdraft	-	30	-	-
Bank borrowings	9,500	-	-	-
Total borrowings to support premium finance loan book	9,500	30	-	-
Total current liabilities	9,712	385	-	-
Total borrowings	9,865	751	-	-

The bank overdrafts are payable on demand and bear interest rates at 2% above the base rate.

The bank borrowings bears interest at the rate offered by the bank to leading banks in the London Interbank Market (LIBOR rate) plus 2.25%.

The bank borrowings and overdraft are secured by a fixed and floating charge over all of the current and future assets of the Company and all other Group companies. They are also secured by the assignment over life policies relating to P S Chase-Gardener, J W Gannon, and A F A Banks.

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

All bank borrowings are denominated in pounds sterling.

The Group had undrawn borrowing facilities at 31 December 2010 of £5.5m (2009 : £9m).

22. Borrowings – continued

Bank overdrafts, borrowings and other loans	Consolidated		Company	
	2010 £000's	2009 £000's	2010 £000's	2009 £000's
Amounts falling due within one year or on demand				
Bank overdrafts	-	30	-	-
Bank borrowings	9,500	-	-	-
Other loans	212	355	-	-
Amounts falling due between one and two years				
Other loans	112	70	-	-
Amounts falling due between two and five years				
Other loans	41	296	-	-
Total	9,865	751	-	-

23. Trade and other payables

	Consolidated		Company	
	2010 £000's	2009 £000's	2010 £000's	2009 £000's
Trade payables	5,678	4,876	-	-
Payable to related parties	791	9,798	-	1,115
Payable to Group undertakings	-	-	20,434	13,059
Tax and social security costs	553	465	-	-
Accruals and deferred income	3,189	2,776	357	433
Total trade and other payables	10,211	17,915	20,791	14,607

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

See note 30 for details of payables to related parties.

Notes to the Financial Statements

For the year ended 31 December 2010

24. Financial instruments

	Consolidated		Company	
	Loans and receivables £000's	Total £000's	Loans and receivables £000's	Total £000's
31 December 2010				
Assets as per balance sheet				
Trade and other receivables excluding prepayments	39,365	39,365	27,897	27,897
Cash and cash equivalents	7,139	7,139	1,192	1,192
Total	46,504	46,504	29,089	29,089
	Consolidated		Company	
	Loans and receivables £000's	Total £000's	Loans and receivables £000's	Total £000's
31 December 2009				
Assets as per balance sheet				
Trade and other receivables excluding prepayments	20,714	20,714	13,384	13,384
Cash and cash equivalents	21,488	21,488	14,901	14,901
Total	42,202	42,202	28,285	28,285

24. Financial instruments – continued

	Consolidated			Company		
	Liabilities at fair value £000's	Other financial liabilities at amortised cost £000's	Total £000's	Liabilities at fair value £000's	Other financial liabilities at amortised cost £000's	Total £000's
31 December 2010						
Liabilities as per balance sheet						
Trade and other payables excluding statutory liabilities	-	9,658	9,658	-	20,791	20,791
Deferred consideration	15,650	-	15,650	15,650	-	15,650
Borrowings	-	9,865	9,865	-	-	-
Total	15,650	19,523	35,173	15,650	20,791	36,441
	Consolidated			Company		
	Liabilities at fair value £000's	Other financial liabilities at amortised cost £000's	Total £000's	Liabilities at fair value £000's	Other financial liabilities at amortised cost £000's	Total £000's
31 December 2009						
Liabilities as per balance sheet						
Trade and other payables excluding statutory liabilities	-	17,450	17,450	-	14,607	14,607
Borrowings	-	751	751	-	-	-
Total	-	18,201	18,201	-	14,607	14,607

Notes to the Financial Statements

For the year ended 31 December 2010

25. Provisions for other liabilities and charges

Analysis of total provisions:

	2010 £000's	2009 £000's
Non-current	141	-
Current	559	293
Total	700	293

The movement in provisions for other liabilities and charges during the year is as follows:

	Lapse provision £000's	Total £000's
At 1 January 2010	293	293
Charge to income statement	407	407
At 31 December 2010	700	700

26. Deferred tax

	Consolidated		Company	
	2010 £000's	2009 £000's	2010 £000's	2009 £000's
Deferred tax assets				
Deferred tax asset to be recovered after more than 12 months	1,488	2,020	6	33
Deferred tax asset to be recovered within 12 months	140	173	-	-
Total	1,628	2,193	6	33

26. Deferred tax – continued

The gross movement on the deferred tax account is as follows:

	Consolidated		Company	
	2010 £000's	2009 £000's	2010 £000's	2009 £000's
At 1 January	2,193	2,032	33	-
(Charged)/credited to the Statement of Comprehensive Income	(522)	161	(27)	43
Transfer from subsidiary	-	-	-	(10)
Reclassified to other receivables	(43)	-	-	-
At 31 December	1,628	2,193	6	33

	Consolidated				Company	
	Accelerated tax depreciation £000's	Adjustments to tax rate on opening balances £000's	Unutilised historic trading losses £000's	Total £000's	Temporary differences £000's	Total £000's
At 1 January 2009	176	(4)	1,860	2,032	-	-
Credited to Statement of Comprehensive Income	241	-	(80)	161	43	43
Transfer from subsidiary	-	-	-	-	(10)	(10)
At 31 December 2009	417	(4)	1,780	2,193	33	33
Charged to the Statement of Comprehensive Income	(161)	(48)	(313)	(522)	(27)	(27)
Reclassified to other receivables	(43)	-	-	(43)	-	-
At 31 December 2010	213	(52)	1,467	1,628	6	6

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

Notes to the Financial Statements

For the year ended 31 December 2010

27. Share capital and premium

Share capital	2010 £000's	2009 £000's
Allotted, called up and fully paid		
454,879,409 (2009: 418,879,409) ordinary shares of £0.01 each	4,549	4,189

The Company has ceased to have authorised share capital. As at 31 December 2010 the share capital is unlimited.

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.

At 31 December 2010, directors and employees held outstanding options over 26,560,676 ordinary shares of the Company.

These options will be satisfied from unissued share capital.

Share premium	2010 £000's	2009 £000's
At 1 January	34,943	16,726
Net proceeds from new shares issued	8,132	18,217
Transfer of Share Premium to retained earnings	(15,226)	-
At 31 December	27,849	34,943

On 20 January 2010, the High Court of Justice approved the Company's application to reduce its Share Premium Account by £15,226,000. This amount is now available for distribution to shareholders and is recognised within Retained Earnings.

27. Share capital and premium – continued

Share Movements

The movement in share capital and premium is shown below:

	Share Capital £000's	Share Premium £000's	Shares No.
At 1 January 2009	3,265	16,726	326,469,474
Shares issued 13 October 2009	1	28	137,208
Shares issued 21 December 2009	923	19,377	92,272,727
Cost of placing	-	(1,188)	-
At 31 December 2009	4,189	34,943	418,879,409
Transfer of Share Premium to retained earnings 20 January 2010	-	(15,226)	-
Shares issued 9 June 2010	360	8,640	36,000,000
Cost of placing	-	(508)	-
At 31 December 2010	4,549	27,849	454,879,409

28. Cash (used in)/generated from operations

	Consolidated		Company	
	2010 £000's	2009 £000's	2010 £000's	2009 £000's
Profit/(Loss) before income tax	10,072	6,665	(975)	(10,017)
Adjustments for:				
Depreciation	265	256	64	4
Amortisation of intangible assets	2,450	1,865	1,492	561
Loss/(Profit) on disposal of property, plant and equipment	4	(14)	-	-
Fair value gains on liabilities through profit and loss	(521)	-	(521)	-
Share-based payments expense	448	488	-	-
Movement in share options charge	-	-	1,157	-
Finance charges – net	810	410	507	-
Total adjustments for non-cash items	3,456	3,005	2,699	565
Changes in working capital				
Trade and other receivables	(18,973)	3,264	(14,719)	(3,925)
Trade and other payables	(7,280)	(3,431)	6,488	9,215
Cash (used in)/generated from operations	(12,725)	9,503	(6,507)	(4,162)

Notes to the Financial Statements

For the year ended 31 December 2010

28. Cash (used in)/generated from operations – continued

In the Cash Flow Statement, proceeds from sale of property, plant and equipment comprises

	Consolidated		Company	
	2010 £000's	2009 £000's	2010 £000's	2009 £000's
Net book amount	47	216	-	-
Profit/(Loss) on disposal of property, plant and equipment	(4)	14	-	-
Proceeds from disposal of property, plant and equipment	43	230	-	-

29. Commitments

a. Capital commitments

Group and Company

There were no capital commitments at 31 December 2010 (2009: nil), that were contracted for but not provided for in these financial statements.

b. Operating lease commitments – Group Company as lessee

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

The Group also leases various plant and machinery under non-cancellable operating lease agreements. The amount of the lease charge within the Statement of Comprehensive income is shown in Note 7.

Group

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2010		2009	
	Land & Buildings £000's	Other £000's	Land & Buildings £000's	Other £000's
In one year or less	959	742	860	727
Between one and five years	3,834	968	3,439	1,221
Total	4,793	1,710	4,299	1,948

Company

The Company has no operating lease commitments.

30. Related party transactions

The following transactions were carried out with related parties:

	Consolidated		Company	
	2010 £000's	2009 £000's	2010 £000's	2009 £000's
(a) Trading Transactions:				
Entities controlled by key management (see below)				
Sales	20,536	10,977	-	-
Purchases	29,729	7,704	22,237	-
Other Group companies				
Sales	-	-	4,684	756
Purchases	-	-	9,198	-
(b) Directors:				
Salary & Bonus	748	798	923	-
Benefits	38	-	38	-
Pension	2	3	2	-
National Insurance	87	94	109	-
Share-based payments expense	279	334	-	-
Total	1,154	1,229	1,072	-
Remuneration in respect of the highest paid director was as follows:				
Salary & Bonus	238	263	300	-
Benefits	16	-	16	-
National Insurance	30	33	38	-
Share-based payments expense	113	134	-	-
Total	397	430	354	-
(c) Key management compensation:				
Salary & Bonus	1,615	1,538	923	-
Benefits	38	-	38	-
Pension	2	3	2	-
National Insurance	178	185	109	-
Share-based payments expense	621	380	-	-
Total	2,454	2,106	1,072	-
(d) Loans to related parties:				
Loans to entities controlled by key management				
Beginning of the year	1,364	9,164	1,364	-
Loans repaid during the year	(1,364)	(7,800)	(1,364)	-
Transferred from/(to) Group undertakings	-	-	-	1,364
End of year	-	1,364	-	1,364
(e) Loans from related parties:				
Beginning of the year	-	7,640	-	-
Loans repaid in the year	-	(7,640)	-	-
End of year	-	-	-	-

Notes to the Financial Statements

For the year ended 31 December 2010

30. Related party transactions – continued

	Consolidated		Company	
	2010 £000's	2009 £000's	2010 £000's	2009 £000's
(f) Year end balances arising from trading transactions				
Receivables from related parties				
Entities controlled by key management	12,577	4,538	1,188	1,364
Other Group undertakings	-	-	26,610	12,020
	12,577	4,538	27,798	13,384
Payables to related parties				
Entities controlled by key management	16,441	9,798	15,650	1,115
Other Group undertakings	-	-	20,434	13,059
	16,441	9,798	36,084	14,174

£15.7m of the payables to related parties relate to the deferred consideration on the acquisition of eCar and eBike. See Note 17 for further details. The remaining balance relates mainly to purchase transactions and bears no interest.

Trading transactions

Consolidated trading transactions in the year

Trading transactions include the following significant amounts:

Sales

- Recharge of services from Group Direct Marketing Limited t/a E Marketing Complete Limited ("GDM") to Rock Services Limited totalling £1.1m;
- Medical referral instructions from NewLaw Solicitors to Injury QED Limited totalling £5.7m;
- Premium transactions from Elnurance to Southern Rock Insurance Company Limited ("SRICL") of £13.4m;

Purchases

- Purchase of policies by Commercial Vehicle Direct Insurance Services Limited from SRICL of £4.8m.
- £15.65m deferred consideration between Brightside and SRICL, with a further £4.9m net cash settlement of balances due between the companies;

- £1.4m settlement of loan balances between Brightside and Rock Holdings Limited.

- Recharge of services from Rock Services Limited to GDM totalling £1.4m;

- Recharge of services from NewLaw Solicitors to Injury QED Limited of £502k;
- Purchase of web development services by Elnurance Services Limited from EDevelopment Limited of £419k;

Company trading transactions in the year

In addition to the amounts described above, the company related party transactions include:

Sales

- Management recharges to all trading companies, amounting to £4.7m;

Purchases

- Finance charges from Panacea of £1.0m;
- Purchase of the ELife on line system from Elnurance Services Limited amounting to £1.2m; and
- Recharge of services from GDM of £2.7m.

Included within the trading transactions are transactions with Manx Financial Group plc.

The Group is connected to Manx Financial Group plc by virtue of A F A Banks and J W Gannon holding shares in Manx Financial Group plc, and A F A Banks being a Non Executive Director of Manx Financial Group plc. The Group previously managed a premium finance loan book on behalf of Manx Financial Group plc. Although Manx Financial Group plc no longer finances any premium on behalf of the Group, during the year transactions have occurred relating to the run-off of the business previously held. At the year end, the Group held no cash balances relating to this activity.

Included within the trading transactions are transactions with NewLaw Solicitors.

30. Related party transactions – continued

The Group is connected to NewLaw Solicitors as P S Chase-Gardener, A F A Banks, J W Gannon and H Molyneux are Directors in NewLaw Solicitors. The transactions in the year include sales from Injury QED Limited to NewLaw Solicitors, in relation to the provision of medical reports, and recharges of facilities and administrative expenses to NewLaw Solicitors from the Group.

The other transactions in (a) on page 75 include goods and services recharged with companies that have common ownership on normal commercial terms and conditions.

Included within trading transactions are transactions with Southern Rock Insurance Company Limited ("SRICL"). The Group is connected to SRICL by virtue of A F A Banks, P S Chase-Gardener and J W Gannon being Directors of both the Group and SRICL. The transactions with SRICL include the sale of insurance policies by the Group's insurance broking units which are underwritten by SRICL. Prior to the acquisition of eCar and eBike from SRICL, the Group also provided a helpdesk function for the online insurance policies sold by SRICL under the eCar and eBike banners.

Included within trading transactions are transactions with Southern Rock Investments Limited ("SRIL"). The Group is connected to SRIL by virtue of A F A Banks, P S Chase-Gardener and J W Gannon all being Directors of both the Group and SRIL. The online software platform utilised by Elnurance Services Limited to distribute its eHome, eVan, eCar and eBike policies is owned and licenced to Elnurance Services Limited by SRIL at commercially agreed rates.

The Group is connected to E Development Limited by virtue of A F A Banks, P S Chase-Gardener and J W Gannon all being Directors of both the Group and E Development Limited. E Development performed a cash handling function for the eHome and eVan products brokered by Elnurance Services Limited during the first half of the year. E Development maintains the websites operated by the Group, for which the Group pays for these services on commercially agreed terms. E Development also maintains the online software platform utilised by Elnurance Services Limited

to distribute eHome, eVan, eCar and eBike policies.

Key management compensation

Included within key management compensation are the following:

- Directors of Brightside Group plc;
- Business Development Manager;
- Head of Finance;
- Chief Operating Officer;
- Operations Director of CVD Commercial Insurance Services Limited;
- Chairman of Brightside Broking and Insurer relationships; and
- Company Secretary.

The employee benefit expenses relating to the above individuals are initially charged in the accounts of Group Direct Marketing Limited (Trading as E Marketing Complete Limited). The salaries of the Directors of Brightside are retained within the Company. The salaries of the other key management are recharged to the subsidiaries of Brightside.

Loans to and from related parties

Included within the loans to and from related parties are loans due to and from Rock Holdings Limited.

The Group is connected to Rock Holdings Limited by virtue of A F A Banks, P S Chase-Gardener and J W Gannon holding shares in Rock Holdings Limited. These businesses no longer have inter-company loan relationships with each other. As at 31 December 2009 the balance due to Brightside Group plc was £1,364k and due to Rock Holdings was £284k. These loans were charged at a rate of base rate plus 2%.

Acquisition of eCar and eBike policy books

The eCar and eBike policy books were acquired by Brightside from Southern Rock Insurance Company Limited ("SRICL") in June 2010. The Group is connected to SRICL by virtue of A F A Banks, P S Chase-Gardener and J W Gannon being Directors of both the Group and SRICL. For further details of the transaction see Note 17.

Summary of Call Option Agreements

The Group has entered into five year call option agreements to acquire:

- the entire issued share capital of E Development Limited; and
- the on-line policy distribution platform, currently owned by Southern Rock Investments Limited "SRIL", which is used to distribute the eHome, eVan, eCar and eBike products brokered by Elnurance Services.

The Company anticipates that the exercise of any of the options may require approval of the Company in a general meeting in accordance with section 190 of the Act, which relates to substantial property transactions between a Company and its Directors (or their connected persons).

Option agreement over the shares in E Development Limited and the eSystem:

Under an option agreement dated 1 December 2009 between the Company (1), Rock Holdings (2), Simon Jones (3), and SRIL (4), Rock Holdings and Simon Jones granted the Company an option to purchase 1,250 ordinary shares (being all the issued shares) in the capital of E Development, and SRIL granted the Company an option to purchase the computer programs, applications and systems that make up the eSystem as described in more detail in the annex to the option agreement. The consideration for the grant of the option over the shares in E Development was £5,000. The consideration for the grant of the option in relation to the eSystem was £45,000.

This option will lapse on 1 December 2014 unless extended at the discretion of the Company for further periods of 12 months by the payment of £1,000 to Rock Holdings and Simon Jones, and £9,000 to SRIL. The exercise of the options over the shares and the eSystem are conditional on (i) them both being exercised together and (ii) approval by a simple majority of the Company's shareholders in a general meeting, where the requirement to obtain a simple majority to pass the resolution is achieved whilst excluding Paul Chase-Gardener, Arron Banks and John Gannon from voting on such resolution (as interested shareholders) for the purposes of establishing the number of members

Notes to the Financial Statements

For the year ended 31 December 2010

30. Related party transactions – continued

entitled to vote and the number of votes cast in person or by proxy.

If exercised, the consideration for the exercise of the option to purchase the shares in E Development would be an amount equal to three times E Development's profit before tax as shown in E Development's management accounts in respect of the 12 month period ending on the last complete calendar month before the exercise date, subject to a minimum value of £1 million.

The consideration for the exercise of the option to purchase the eSystem would be the aggregate of (i) the net book value of the eSystem as shown in SRIL's latest audited accounts at the exercise date and (ii) a multiple of three times of all licence

fees, royalties and system fees received by SRIL from third parties in respect of the eSystem in the 12 month period prior to the exercise date.

IAS 27 requires an entity to consider whether the existence of potential voting rights that are currently exercisable or convertible gives the entity the power to govern the financial and operating policies of the entity over which the rights are held. If the entity is deemed to have the power to govern the financial and operating policies of another entity then that entity should be consolidated. The option agreements over E Development Limited and the computer operating system owned by SRIL are not deemed to give the Group the power to govern the financial and operating policies

of either SRIL or E Development Limited, as the exercise of these options is contingent upon approval by a majority of the Company's shareholders at a general meeting, excluding A F A Banks, J W Gannon and P S Chase-Gardener all of whom are Directors and shareholders of Brightside Group plc and are also beneficially interested in the share capital of E Development Limited and SRIL. Therefore the results of both SRIL and E Development Limited have not been consolidated with those of the Group.

32. Post Balance Sheet event

On 8 February 2011, the Group acquired the entire share capital of Quote Exchange Limited, which designs and builds specialist distribution technology which is utilised by its customers to provide verified price comparison solutions across a wide range of products.

The initial consideration payable was satisfied by a cash payment of £2.7m and the issue of 1,394,000 ordinary shares in Brightside, with a fair value of £504k based on the closing price of 36.15p per ordinary share on 7 February 2011, the trading day immediately prior to completion. A further £1.0m, payable in cash, may become due based upon the performance of Quote Exchange for the 12-month period ended 29 February 2012.

The Group is still in the process of establishing the fair value of the assets and liabilities acquired, and these will be reported in the half-year results.

31. Subsidiaries

Group

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

Subsidiary Undertaking	Class of shares	Proportion held	Principal activity
Group Direct Limited	Ordinary	100%	Intermediate Holding Company
Injury QED Limited	Ordinary	100%	Medical Reporting
David & Co. Consultants Limited	Ordinary	100%	Debt Management and Lead Generation
Commercial Vehicle Direct Insurance Services Limited	Ordinary	100%	Insurance Broker
Einsurance Services Limited	Ordinary	100%	Insurance Broker
Panacea Finance Limited	Ordinary	100%	Finance Provider
Group Direct Marketing Limited (Trading as E Marketing Complete Limited)	Ordinary	100%	Facilities Recharge Company
Minibus Direct Limited	Ordinary	100%	Holding Company of Dormant Companies


Except for David & Co. Consultants, which is registered in Scotland, all other Group companies are registered in England and Wales.

All of these companies were 100% subsidiaries of the Group throughout 2010. The Group holds investments in many dormant companies. As per IAS 27 these investments are not significant and therefore the Group has elected not to disclose these companies.

Company Information

For the year ended 31 December 2010

Company Registration number:	5941335
Registered Office:	MMT Centre Severn Bridge Aust Bristol BS35 4BL
Directors:	A F A Banks P S Chase-Gardener J W Gannon H C Molyneux C E Fay L Hughes J Telling S Palmer
Secretary:	D Herrmann
Bankers:	National Westminster Bank Oxford High Street 121 High Street Oxford OX1 4DD Royal Bank of Scotland 3rd Floor 3 Temple Back East PO Box 2703 Bristol BS1 9BX Clydesdale Bank plc 3 Sheldon Square Paddington London W2 6HY
Broker and Nominated Adviser:	Evolution Securities Limited 100 Wood Street London EC2V 7AN
Solicitors:	Manches LLP Aldwych House 81 Aldwych London WC2B 4RP
Auditor:	Baker Tilly UK Audit LLP Statutory Auditor and Chartered Accountants Hartwell House 55-61 Victoria Street Bristol BS1 6AD



Brightside Group plc
MMT Centre, Severn Bridge,
Aust, Bristol, BS35 4BL

Telephone: 01454 635860
Fax: 01454 634187
www.brightsidegroup.co.uk
info@brightsidegroup.co.uk