

Company Registration No 4530717 (England and Wales)

UK INDEPENDENT MEDICAL SERVICES LIMITED
DIRECTOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008
AMENDED

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UK INDEPENDENT MEDICAL SERVICES LIMITED

COMPANY INFORMATION

Directors	I J Medforth P C Healey (Appointed 17 July 2007)
Secretary	P R Gray
Company number	4530717
Registered office	Indigo House Belmont Business Park Durham DH1 1TW
Auditors	HW Floor 11 Cale Cross House 156 Pilgrim Street Newcastle upon Tyne NE1 6SU
Bankers	HBOS Bank of Scotland 144/148 High Street Southampton SO14 2JF

UK INDEPENDENT MEDICAL SERVICES LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Independent auditors' report	3 - 4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 16

UK INDEPENDENT MEDICAL SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2008

The directors present their report and financial statements for the year ended 31 March 2008

Principal activities

The principal activity of the company continued to be the supply of medico legal services to the legal and insurance professions

Review of the business

This year saw a number of significant, positive changes for UKIM, particularly in relation to our growth. We are winning sales from all of our competitors and retaining clients due to our commitment to excellence. Our bankers have provided all the financial support necessary to fund the growth and with new payment initiatives now beginning to succeed, we had net positive cashflow from December 2007.

During the first quarter of the year, agreement was reached to release the equity of our Non Executive Board Members, by way of loan repayments and share purchases. This was achieved in August 2007. The Finance Director left under agreement, in September 2007. 100% of UKIM shares are now owned by the Directors and three members of the Management Team.

At the end of the financial year, UKIM purchased 100% of the shares of UK Legal Imaging Services, with the joint benefits of maximising Corporation Tax allowances and providing an additional service for UKIM to cross sell to its solicitor client base.

Directors

The following directors have held office since 1 April 2007

I J Medforth

P C Healey

(Appointed 17 July 2007)

J A Mullin (Non Executive director)

(Resigned 13 August 2007)

S D Jenkins (Non Executive director)

(Resigned 13 August 2007)

N A MacInnes (Non Executive director)

(Resigned 13 August 2007)

C P Watson (Executive director)

(Resigned 18 September 2007)

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that HW be reappointed as auditors of the company will be put to the Annual General Meeting.

UK INDEPENDENT MEDICAL SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the board



I J Medforth
Director
5 August 2008

UK INDEPENDENT MEDICAL SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF UK INDEPENDENT MEDICAL SERVICES LIMITED

We have audited the financial statements of UK Independent Medical Services Limited for the year ended 31 March 2008 set out on pages 5 to 16. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2007).

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 the directors and auditors

As described in the statement of directors' responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is consistent with the financial statements, if the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

UK INDEPENDENT MEDICAL SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE SHAREHOLDERS OF UK INDEPENDENT MEDICAL SERVICES LIMITED

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

HW

HW

5 August 2008

Chartered Accountants
Registered Auditor

Floor 11 Cale Cross House
156 Pilgrim Street
Newcastle upon Tyne
NE1 6SU

UK INDEPENDENT MEDICAL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2008

	Notes	2008 £	2007 £
Turnover		6,130,518	3,892,658
Cost of sales		(3,897,925)	(2,339,296)
Gross profit		2,232,593	1,553,362
Administrative expenses		(1,657,001)	(1,182,206)
Other operating income		38,106	-
Operating profit	2	613,698	371,156
Investment income	3	20,752	-
Other interest receivable and similar income	3	6,885	4,370
Amounts written off investments	4	(20,752)	-
Interest payable and similar charges		(278,732)	(199,418)
Profit on ordinary activities before taxation		341,851	176,108
Tax on profit on ordinary activities	5	(112,208)	(69,118)
Profit for the year	15	229,643	106,990

UK INDEPENDENT MEDICAL SERVICES LIMITED

BALANCE SHEET

AS AT 31 MARCH 2008

	Notes	2008 £	£	2007 £	£
Fixed assets					
Intangible assets	6	213,020		149,143	
Tangible assets	7	115,784		99,218	
Investments	8	606		2	
			329,410		248,363
Current assets					
Stocks		316,858		338,681	
Debtors	9	6,748,652		4,293,360	
Cash at bank and in hand		56,634		74,156	
			7,122,144		4,706,197
Creditors amounts falling due within one year	10	(6,518,225)		(4,334,247)	
Net current assets			603,919		371,950
Total assets less current liabilities			933,329		620,313
Creditors: amounts falling due after more than one year	11		(135,392)		(252,529)
Provisions for liabilities	12		(287,120)		(86,610)
			510,817		281,174
Capital and reserves					
Called up share capital	14	100,000		100,000	
Profit and loss account	15	410,817		181,174	
Shareholders' funds			510,817		281,174

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2007)

Approved by the Board for issue on 5 August 2008


I J Medforth
Director

UK INDEPENDENT MEDICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007)

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

1.3 Turnover

Income is recognised when, and to the extent that, the company obtains the right to consideration in exchange for its performance

1.4 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life

1.5 Research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases the identifiable expenditure is deferred and amortised over the period during which the company is expected to benefit. This period is between 3 and 5 years. Provision is made for any impairment.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	25% straight line method
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1.7 Leasing

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profit as incurred.

1.8 Investments

Fixed asset investments are stated at cost less provision for diminution in value. During 2007/08 an internal group reorganisation involving no intrinsic loss to the group as a whole was made, a true and fair override was taken in order to reflect the true substance of the transaction. Rather than book a provision against the carrying value of the investment, the potential diminution in value was transferred to goodwill.

1.9 Stock and work in progress

Work in progress is valued at the lower of cost and net realisable value. Costs include all direct expenditure based on normal levels of activity.

1.10 Revenue recognition

Revenue is recognised at the point at which the relevant medical report or notes are received from the Medical Expert and have been sent on to the insurer or solicitor.

UK INDEPENDENT MEDICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

1 Accounting policies (continued)

1.11 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.12 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.13 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertaking comprise a small-sized group. The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts.

2	Operating profit	2008 £	2007 £
	Operating profit is stated after charging		
	Amortisation of intangible assets	39,992	31,786
	Depreciation of tangible assets	48,309	45,830
	Auditors' remuneration	4,500	2,500
	Directors' emoluments	165,792	156,062

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (2007 - 2).

3	Investment income	2008 £	2007 £
	Income from shares in group undertakings	20,752	-
	Bank interest	6,885	4,370
		27,637	4,370

4	Amounts written off investments	2008 £	2007 £
	Amounts written off fixed asset investments		
	- permanent diminution in value	20,752	-

UK INDEPENDENT MEDICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

5	Taxation	2008	2007
		£	£
	Domestic current year tax		
	U K corporation tax	113,450	57,000
	Adjustment for prior years	(547)	(297)
		<hr/>	<hr/>
	Current tax charge	112,903	56,703
	 Deferred tax		
	Deferred tax charge/credit current year	(695)	12,415
		<hr/>	<hr/>
		112,208	69,118
		<hr/>	<hr/>

UK INDEPENDENT MEDICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

6 Intangible fixed assets

	Goodwill	Development Costs	Total
	£	£	£
Cost			
At 1 April 2007	-	191,838	191,838
Additions	69,246	34,624	103,870
At 31 March 2008	69,246	226,462	295,708
Amortisation			
At 1 April 2007	-	42,694	42,694
Charge for the year	-	39,994	39,994
At 31 March 2008	-	82,688	82,688
Net book value			
At 31 March 2008	69,246	143,774	213,020
At 31 March 2007	-	149,143	149,143

Development costs have been capitalised in accordance with the FRSSSE. The costs relate to the development of the Proclaim system. The first stage of development was completed on 1 October 2005 and further enhancements have been made in the year. The amount capitalised is being written off over a period of 5 years.

As part of a rationalisation of the group, the trade and assets of Legal Imaging Solutions Limited were transferred to UK Independent Medical Services Limited (the Parent undertaking). This resulted in an apparent overvaluation of investments in the Parent company's books, although there was no overall loss to the Group. Schedule 4 to the Companies Act 1985 requires that, where such an overvaluation is expected to be permanent, the investment should be written down accordingly. The directors consider that as the substance of the transaction was merely to reorganise the Group's operations, such a treatment would fail to give a true and fair view and the diminution in value of investments has instead been reallocated to goodwill. The effect on the Parent Company's balance sheet of this departure from the requirements of Schedule 4 is to recognise goodwill of £69,246. There has been no amortisation charge this year as the transaction took place on 25 March 2008.

UK INDEPENDENT MEDICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

7 Tangible fixed assets

	Plant and machinery etc £
Cost	
At 1 April 2007	214,403
Transfers	3,089
Additions	61,786
	<hr/>
At 31 March 2008	279,278
	<hr/>
Depreciation	
At 1 April 2007	115,185
Charge for the year	48,309
	<hr/>
At 31 March 2008	163,494
	<hr/>
Net book value	
At 31 March 2008	115,784
	<hr/>
At 31 March 2007	99,218
	<hr/>

UK INDEPENDENT MEDICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

8 Fixed asset investments

	Shares in group undertakings and participating interests £
Cost	
At 1 April 2007	2
Additions	90,602
Reclassification	(69,246)
	<hr/>
At 31 March 2008	21,358
	<hr/>
Provisions for diminution in value	
At 1 April 2007	-
Charge for the year	20,752
	<hr/>
At 31 March 2008	20,752
	<hr/>
Net book value	
At 31 March 2008	606
	<hr/>
At 31 March 2007	2
	<hr/>

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings			
UK Legal Funding Solutions Limited	England and Wales	Ordinary	100 00
Legal Imaging Services Limited	England and Wales	Ordinary	100 00
Independent Medical Experts Limited	England and Wales	Ordinary	100 00
Independent Medicals Limited	England and Wales	Ordinary	100 00
Independent Medical Assessment Services Limited	England and Wales	Ordinary	100 00
Independent Medical Providers Limited	England and Wales	Ordinary	100 00
Independent Reports Limited	England and Wales	Ordinary	100 00
Independent Medical Reporting (IMR) Limited	England and Wales	Ordinary	100 00
Independent Medical Reports Limited	England and Wales	Ordinary	100 00

UK INDEPENDENT MEDICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

8 Fixed asset investments

(continued)

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows

		Capital and reserves 2008 £	Profit/(loss) for the year 2008 £
	Principal activity		
UK Legal Funding Solutions Limited	Funding for Solicitors	1,286	1,284
Legal Imaging Services Limited	Provision of Scanning Services	2	33,012
Independent Medical Experts Limited	Dormant	100	-
Independent Medicals Limited	Dormant	100	-
Independent Medical Assessment Services Limited	Dormant	100	-
Independent Medical Providers Limited	Dormant	100	-
Independent Reports Limited	Dormant	100	-
Independent Medical Reporting (IMR) Limited	Dormant	100	-
Independent Medical Reports Limited	Dormant	2	-

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet

9 Debtors

	2008 £	2007 £
Trade debtors	6,422,885	4,026,668
Amounts owed by group undertakings and undertakings in which the company has a controlling interest	5,126	-
Other debtors	320,641	266,692
	<u>6,748,652</u>	<u>4,293,360</u>

UK INDEPENDENT MEDICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

10 Creditors' amounts falling due within one year	2008 £	2007 £
Bank loans and overdrafts	334,672	10,000
Trade creditors	2,206,327	1,417,071
Taxation and social security	845,827	72,359
Other creditors	3,131,399	2,834,817
	<u>6,518,225</u>	<u>4,334,247</u>

Included within other creditors are £2,976,625 (2007 £2,798,618) secured against the trade debtors to which they relate

There are two debentures in place containing fixed and floating charges in favour of the Bank of Scotland, both dated 9 August 2007

11 Creditors' amounts falling due after more than one year	2008 £	2007 £
Bank loans	54,388	65,029
Other creditors	81,004	187,500
	<u>135,392</u>	<u>252,529</u>
Analysis of loans		
Wholly repayable within five years	258,981	262,529
Included in current liabilities	(123,589)	(10,000)
	<u>135,392</u>	<u>252,529</u>

UK INDEPENDENT MEDICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

15 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 April 2007	181,174
Profit for the year	229,643
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Balance at 31 March 2008	410,817
	<hr/>

16 Financial commitments

At 31 March 2008 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 March 2009

	2008 £	2007 £
Operating leases which expire in over five years	67,563	67,563
	<hr/>	<hr/>

17 Transactions with directors

On 1 March 2008 UK Independent Medical Services Limited (UK IM) signed an agency agreement with Legal Imaging Services Limited (LIS) UK IM purchased the share capital of LIS for £90,000, a related party due to common shareholder Paul Healey The trading assets were then hived up into UK IM

During the year £34,350 (2007 £28,200) of purchases were made from LIS for the provision of scanning services UK IM provided rent free office space to this company during the year At the year end there was a balance of £20,754 due from UK IM to LIS for the hive up of trade and assets

On 1 April 2007 UK IM signed an agency agreement with UK Legal Funding Solutions Limited (UK LFS) allowing the trade of UK LFS Limited to continue through UK IM The trade and assets of UK LFS Limited were therefore hived up into UK IM at this point UK LFS Limited is now a dormant subsidiary At the year end there was a balance due of £81,002 (2007 £44,857) from UK LFS

During the year loans of £nil (2007 £187,500) were owed by the company and repaid during the year to the following related parties N MacInnes £27,083, S Jenkins £35,417, CLE Investments £70,833, I Medforth £2,500 and P Healey £51,667

18 Control

The ultimate controlling party is P C Healey by virtue of his majority shareholding

UK INDEPENDENT MEDICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

12 Provisions for liabilities and charges

	Deferred tax liability £	Other £	Total £
Balance at 1 April 2007	27,765	58,485	86,250
Profit and loss account	(695)	201,565	200,870
Balance at 31 March 2008	<u>27,070</u>	<u>260,050</u>	<u>287,120</u>

The deferred tax liability is made up as follows

	2008 £	2007 £
Accelerated capital allowances	<u>27,070</u>	<u>27,765</u>

The other provision relates to early settlement provisions, credit notes that will be issued regarding the Pleural Plaques case and credit notes regarding the Avalon case

13 Pension costs

Defined contribution

	2008 £	2007 £
Contributions payable by the company for the year	<u>24,314</u>	<u>13,127</u>

14 Share capital

	2008 £	2007 £
Authorised		
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>