

UK Independent Medical Services Limited

Annual report and financial statements
Registered number 04530717
31 December 2016

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Strategic report

Principal activities & objectives

We are a specialist business outsourcer established in 2003 to deliver low cost, value-added solutions into the legal and insurance fields. This is through the provision of a range of services including independent medical examinations and evidence.

Through the delivery of a quality driven service to the clients, our aim is to create sustainable revenue growth in both the core business through new business generation as well as through diversification opportunities. Profitability is achieved by continually striving for efficiencies from the use of innovative IT solutions.

Business model

We are part of the global ExamWorks family, delivering a range of medical evidence services in the United Kingdom, North America, and Australia. ExamWorks was a New York Stock Exchange listed company until it was acquired by Leonard Green & Partners L.P. (a leading private equity investment firm) in July 2016. The size and financial stability of ExamWorks has enabled us to continually invest in secure and efficient IT infrastructure and deliver real value throughout the medical evidence process, with the development of innovative profitable customer solutions. Success is ultimately measured through the ongoing support from our client base.

UK Independent Medical is also considered a reliable and trusted partner to a number of private and public sector organisations. We have also worked with various Professional Health Regulators in the provision of medical evidence for Fitness to Practice Committees.

To enable us to provide the above services, we host an experienced national panel of medical experts and specialist nurses, managed by an internal team who regularly audit our panel members from a variety of medical disciplines and ensure our clients are provided with the highest level of service. UK Independent Medical is part of a 500+ strong workforce within the ExamWorks UK group which has sales in excess of £100 million across a number of different segments.

The mission statement, 'Committed to Excellence', is based upon our goal of establishing invaluable and long term relationships with our clients by constantly exceeding their requirements and expectations with the delivery of our services in an efficient, proactive and attentive manner. The operation and administration of our office is subject to stringent service levels with all work handled on the day of receipt and telephone calls answered swiftly and deliberately without the use of a call queuing system.

Results and performance

The results for the year show a profit on ordinary activities before tax of £987k (2015: Profit of £1.2m). The shareholders' funds total £5.7m (2015: £5.0m).

Despite a comparable number of medico legal instruction volumes, turnover increased by 4% due to changes in the overall work mix as well as diversification activities.

To support current and future growth as well as investment in new initiatives, our owners (ExamWorks Inc.) and bankers (Barclays) have provided all of the necessary financial support and are fully committed to the business. The confidential invoice discount (CID) agreement with Barclays was renewed in July 2016 for 3 years.

Strategic report (continued)

Key performance indicators (KPIs)

| | 2016 | 2015 |
|--|--------|--------|
| Gross medico legal instructions | 27,845 | 27,886 |
| Gross medico legal instructions / day (ave.) | 110 | 110 |
| Turnover (£'000) | 16,315 | 15,611 |
| Contribution margin % | 56% | 55% |
| Gross margin % | 36% | 37% |
| Debtor days | 388 | 397 |
| Daily cash collection (£ ave.) | 70,453 | 59,825 |

Principal risks and uncertainties

Following a review of the economy, the industry, and the business, we have identified what we consider to be the main areas of risk to the business.

| Risk | Impact on Company | Assessment of change in risk year-on-year | Mitigation of risk |
|---|---|---|---|
| Regretted attrition in senior management and key personnel | Loss of knowledge and expertise | N/A | Regular 121's, appraisals, 360 feedback, investors in people. Recruitment of a training and development lead. Development of individual training plans. |
| Loss of customers, either through poor service or to competitors. | Loss of turnover and profitability. Loss of credibility in the marketplace. | N/A | Regular account management visits. Regular feedback from the clients. Ongoing quality checking of operational processes. |
| Legal / MOJ reforms which change the industry / marketplace in which we operate | Loss of turnover and profitability. | N/A | Regular discussions with clients and keeping abreast on potential reforms. |
| Working capital requirements outweigh the ability to either generate cash or the failure to renew banking facilities. | Going concern issues created by not having the liquid resources to meet liabilities as they fall due and be able to sustain the business model. | N/A | Regular updating of cashflow forecasts and daily cash requirement reviews. Monthly review of client debt profiles. Monthly review of comprehensive management accounts. |

In an attempt to mitigate any generic risks, we adopt regular reviews of the entire business through a series of monthly meetings (executive & senior management).

Future developments

There is an ongoing focus to identify new opportunities that potentially bring significant future growth and profitability to the table. As part of this focus, we believe that there are further public and private sector partner opportunities and see this as potentially a significant growth sector.

Strategic report (continued)

Future developments

There is an ongoing focus to identify new opportunities that potentially bring significant future growth and profitability to the table. As part of this focus, we believe that there are further public and private sector partner opportunities and see this as potentially a significant growth sector during 2016 and into 2017.

As the 3rd quarter of the current financial year draws to a close, the Company is showing year on year profitable growth.

Signed on behalf of the Board



PC Healey
Director

Brenner House
Rainton Bridge Business Park
Houghton le Spring
Tyne and Wear
DH4 5RA

26 September 2017

Directors' report

Proposed dividend

The directors do not recommend the payment of a dividend (2015: £nil).

Directors

The directors who held office during the year were as follows:

| | |
|------------|--------------------------|
| DS Fowler | (resigned 27 July 2017) |
| PC Healey | |
| IDM Hill | (resigned 27 July 2017) |
| RE Perlman | (resigned 10 July 2017) |
| JK Price | (resigned 10 July 2017) |
| MP Cutler | (resigned 28 July 2017) |
| PR Gray | (appointed 28 July 2017) |
| C Nairns | (appointed 31 July 2017) |

Political contributions

The company made no political donations or incurred any political expenditure during the year (2015: £nil).

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



PC Healey
Director

Brenner House
Rainton Bridge Business Park
Houghton le Spring
Tyne and Wear
DH4 5RA

26 September 2017

Statement of directors' responsibilities in respect of the strategic report and the directors' report and the financial statements

The directors are responsible for preparing the strategic report and the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 company and of the profit or loss of the company for that period. In preparing these 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Independent auditor's report to the members of UK Independent Medical Services Limited

We have audited the financial statements of UK Independent Medical Services Limited for the year ended 31 December 2016 set out on pages 8 to 21. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 auditor

As explained more fully in the directors' responsibilities statement set out on page 5, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of UK Independent Medical Services Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the director's report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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



Richard Evans (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

27 September 2017

Profit and loss account and other comprehensive income
for the year ended 31 December 2016

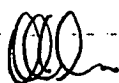
| | <i>Note</i> | 2016 £ | 2015 £ |
|--|-------------|------------------|------------------|
| Turnover | 2 | 16,315,457 | 15,610,812 |
| Cost of sales | | (10,394,543) | (9,874,707) |
| Gross profit | | 5,920,914 | 5,736,105 |
| Administrative expenses | | (4,860,646) | (4,407,813) |
| Operating profit | | 1,060,268 | 1,328,292 |
| Interest receivable and similar income | 6 | - | 44,373 |
| Interest payable and similar charges | 7 | (73,466) | (134,486) |
| Profit on ordinary activities before taxation | 2-7 | 986,802 | 1,238,179 |
| Tax on profit on ordinary activities | 8 | (227,582) | (315,738) |
| Profit for the financial year | | 759,220 | 922,441 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | 759,220 | 922,441 |

All results derive from continuing operations.

Balance sheet
at 31 December 2016

| | <i>Note</i> | 2016 | | 2015 | |
|--|-------------|-------------------|------------------|-------------------|------------------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Intangible assets | 9 | | 22,721 | | 36,209 |
| Tangible assets | 10 | | 286,113 | | 426,525 |
| Investments | 11 | | 607 | | 607 |
| | | | <u>309,441</u> | | <u>463,341</u> |
| Current assets | | | | | |
| Debtors (including £18,174 (2015: £18,174) due after more than one year) | 12 | 21,553,333 | | 21,531,286 | |
| Cash at bank and in hand | | 221,057 | | 274 | |
| | | <u>21,774,390</u> | | <u>21,531,560</u> | |
| Creditors: amounts falling due within one year | 13 | (16,343,778) | | (16,933,064) | |
| Net current assets | | | <u>5,430,612</u> | | <u>4,598,496</u> |
| Total assets less current liabilities | | | <u>5,740,053</u> | | <u>5,061,837</u> |
| Creditors: amounts falling due after more than one year | 14 | | - | | (81,004) |
| Net assets | | | <u>5,740,053</u> | | <u>4,980,833</u> |
| Capital and reserves | | | | | |
| Called up share capital | 16 | | 105,300 | | 105,300 |
| Profit and loss account | | | 5,634,753 | | 4,875,533 |
| Shareholders' funds | | | <u>5,740,053</u> | | <u>4,980,833</u> |

These financial statements were approved by the board of directors on 26 September 2017 and were signed on its behalf by:



PC Henley
Director

Company registered number: 04530717

Statement of changes in equity
for the year ended 31 December 2016

| | Called up share capital £ | Profit and loss account £ | Total equity £ |
|---|------------------------------------|------------------------------------|----------------------|
| Balance at 1 January 2015 | 105,300 | 3,953,092 | 4,058,392 |
| Total comprehensive income for the period | | | |
| Profit | - | 922,441 | 922,441 |
| Other comprehensive income | - | - | - |
| Total comprehensive income for the period | - | 922,441 | 922,441 |
| Transactions with owners, recorded directly in equity | - | - | - |
| Total contributions by and distributions to owners | - | - | - |
| Balance at 31 December 2015 | 105,300 | 4,875,533 | 4,980,833 |

| | Called up share capital £ | Profit and loss account £ | Total equity £ |
|---|------------------------------------|------------------------------------|----------------------|
| Balance at 1 January 2016 | 105,300 | 4,875,533 | 4,980,833 |
| Total comprehensive income for the period | | | |
| Profit | - | 759,220 | 759,220 |
| Other comprehensive income | - | - | - |
| Total comprehensive income for the period | - | 759,220 | 759,220 |
| Transactions with owners, recorded directly in equity | - | - | - |
| Total contributions by and distributions to owners | - | - | - |
| Balance at 31 December 2016 | 105,300 | 5,634,753 | 5,740,053 |

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling.

The Company's ultimate parent undertaking, ExamWorks Group Inc, included the Company in its consolidated financial statements until July 2016. The consolidated financial statements of ExamWorks Group Inc are available to the public and may be obtained from 3280 Peachtree Road NE, Suite 2625, Atlanta, GA 30305, USA. ExamWorks Group Inc. was a New York Stock Exchange listed company until it was acquired by Leonard Green & Partners L.P. in July 2016.

In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of ExamWorks Group Inc, include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments*; and,
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 21.

The company intends to continue to prepare its financial statements in accordance with the reduced disclosure framework of FRS 102.

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on pages 1 to 3.

The company meets its day to day working capital requirements through an overdraft and loans from group undertakings. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current facilities. The ultimate parent company, ExamWorks Group Inc, has confirmed its intention to continue to provide such financial and other support as may be required by the company, and not seek repayment of amounts made available, for at least the next 12 months following approval of these financial statements to enable the company to meet its liabilities as they fall due in the normal course of business.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Notes

1 Accounting policies (continued)

Measurement convention

The financial statements are prepared on the historical cost basis.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

Fixtures and fittings - 33.33% per annum

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Intangible assets, goodwill and negative goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Notes

1 Accounting policies (*continued*)

Intangible assets, goodwill and negative goodwill (continued)

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill was re-evaluated by the directors at the date of transition to FRS 102, where a reliable useful life was unable to be determined. Therefore, as per FRS 102, Goodwill is estimated to be 5 years from the date of transition.

- The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.
- Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

Impairment

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

Notes (continued)

1 Accounting policies (continued)

Impairment (continued)

Non-financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes (continued)

1 Accounting policies (continued)

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Turnover is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing management involvement with the service, and the amount of turnover can be measured reliably.

2 Turnover

| | 2016 £ | 2015 £ |
|-----------------------|-------------------|-------------------|
| <i>By activity</i> | | |
| Medico legal services | 12,869,352 | 12,118,619 |
| Other services | 3,446,105 | 3,492,193 |
| | <u>16,315,457</u> | <u>15,610,812</u> |

All revenue is derived in the UK.

Notes (continued)

3 Expenses and auditor's remuneration

| | 2016 £ | 2015 £ |
|---|-----------|-----------|
| <i>Profit on ordinary activities before taxation is stated after charging:</i> | | |
| Depreciation and other amounts written off tangible fixed assets: | | |
| Owned assets | 195,971 | 185,277 |
| Amortisation of goodwill | 9,857 | 16,248 |
| Amortisation of development costs | 3,631 | 5,903 |
| Hire of assets – operating leases | 292,056 | 279,540 |
| Impairment loss on trade debtors | 595,747 | 477,132 |
| | £ | £ |
| <i>Auditor's remuneration:</i> | | |
| Audit of these financial statements | 25,000 | 21,525 |
| Amounts receivable by the auditors and their associates in respect of: Other services relating to taxation | 5,500 | 5,000 |

4 Remuneration of directors

| | 2016 £ | 2015 £ |
|---|-----------|-----------|
| Directors emoluments | 151,579 | 55,439 |
| Company contributions to money purchase pension schemes | 7,307 | 2,770 |

The emoluments of the highest paid director were £151,579 (2015: £55,439) and company pension contributions of £7,307 (2015: £2,770) were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to one director (2015: one) under money purchase schemes.

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

| | Number of employees | |
|----------------|---------------------|------|
| | 2016 | 2015 |
| Management | 5 | 5 |
| Direct staff | 142 | 154 |
| Indirect staff | 33 | 30 |
| Finance staff | 12 | 13 |
| | 192 | 202 |

The aggregate payroll costs of these persons were as follows:

| | 2016 £ | 2015 £ |
|-----------------------------------|-----------|-----------|
| Wages and salaries | 4,127,733 | 3,869,030 |
| Social security costs | 440,098 | 338,063 |
| Other pension costs (see note 19) | 142,328 | 153,612 |
| | 4,710,159 | 4,360,705 |

Notes (continued)

6 Other interest receivable and similar income

| | 2016 £ | 2015 £ |
|---------------|-----------|-----------|
| Bank interest | - | 44,373 |

7 Interest payable and similar charges

| | 2016 £ | 2015 £ |
|---|-----------|-----------|
| Interest payable on financial liabilities | 73,466 | 134,486 |

8 Taxation

Analysis of charge in period

| | 2016 £ | £ | 2015 £ | £ |
|---|-----------|---------|-----------|---------|
| <i>UK corporation tax</i> | | | | |
| Current tax on income for the period | 227,582 | | 315,738 | |
| Total current tax | | 227,582 | | 315,738 |
| <i>Deferred tax (see note 15)</i> | | | | |
| Origination/reversal of timing differences | - | | - | |
| Total deferred tax | | - | | - |
| Tax charge on profit on ordinary activities | | 227,582 | | 315,738 |

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2015: higher) than the standard rate of corporation tax in the UK 20%; 2015: 20.5%). The differences are explained below.

| | 2016 £ | 2015 £ |
|--|-----------|-----------|
| <i>Current tax reconciliation</i> | | |
| Profit on ordinary activities before tax | 986,802 | 1,238,179 |
| Current tax at 20% (2015: 20.25%) | 197,360 | 250,731 |
| <i>Effects of:</i> | | |
| Expenses not deductible for tax purposes | 12,531 | 51,198 |
| Capital allowances for period less than depreciation | 17,691 | 13,809 |
| Total tax expenses included in profit or loss | 227,582 | 315,738 |

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and to 20% (effective 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and 17% (effective from 1 April 2020) were substantively enacted on 26 October 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2016 has been calculated based on the rates of 17% substantively enacted at the balance sheet date.

Notes (continued)

9 Intangible fixed assets

| | Goodwill £ | Development costs £ | Total £ |
|------------------------------|---------------|---------------------------|------------|
| <i>Cost</i> | | | |
| At beginning and end of year | 69,246 | 380,970 | 450,216 |
| Additions | - | - | - |
| At end of year | 69,246 | 380,970 | 450,216 |
| <i>Amortisation</i> | | | |
| At beginning of year | 39,682 | 374,325 | 414,007 |
| Charged in year | 9,857 | 3,631 | 13,488 |
| At end of year | 49,539 | 377,956 | 427,495 |
| <i>Net book value</i> | | | |
| At 31 December 2016 | 19,707 | 3,014 | 22,721 |
| At 1 January 2016 | 29,564 | 6,645 | 36,209 |

As part of a group reconstruction in the year ended 31 March 2008, the trade and net assets of UK Legal Imaging Services Limited, a subsidiary undertaking, were transferred to the company at their book value, which was less than their fair value. The cost of the company's investment in that subsidiary undertaking reflected the underlying fair value of its net assets and goodwill at the time of acquisition. As a result of this transfer, the value of the company's investment in UK Legal Imaging Services Limited fell below the amount at which it was stated in the company's accounting records. The Companies Act requires that the investment be written down accordingly and that the amount be charged as a loss in the company's profit and loss account. However, the directors consider that, as there has been no overall loss to the company, it would fail to give a true and fair view to charge that diminution to the company's profit and loss account and it should instead be re-allocated to goodwill and identifiable net assets transferred, so as to recognise in the company's individual balance sheet the effective cost to the company of those net assets and goodwill. The effect of this departure is to increase the amount of goodwill by £69,246.

10 Tangible fixed assets

| | Fixtures, fittings and equipment £ |
|-----------------------|---|
| <i>Cost</i> | |
| At beginning of year | 1,466,051 |
| Additions | 55,559 |
| At end of year | 1,521,610 |
| <i>Depreciation</i> | |
| At beginning of year | 1,039,526 |
| Charge for year | 195,971 |
| At end of year | 1,235,497 |
| <i>Net book value</i> | |
| At 31 December 2016 | 286,113 |
| At 1 January 2016 | 426,525 |

Notes (continued)

11 Fixed asset investments

| | Shares in group undertakings £ |
|------------------------------|---|
| <i>Cost</i> | |
| At beginning and end of year | 20,752 |
| <i>Provisions</i> | |
| At beginning and end of year | 20,145 |
| <i>Net book value</i> | |
| At 31 December 2016 | 607 |
| At 1 January 2016 | 607 |

The principal companies in which the company's interest at the year end is more than 20% are as follows:

| | Country of incorporation | Principal activity | Class and percentage of shares held |
|------------------------------------|-----------------------------|-----------------------|--|
| <i>Subsidiary undertakings</i> | | | |
| Axis Costs Limited | England and Wales | Dormant | 100% Ordinary |
| UK Legal Funding Solutions Limited | England and Wales | Dormant | 100% Ordinary |
| UK Legal Imaging Services Limited | England and Wales | Dormant | 100% Ordinary |

12 Debtors

| | 2016 £ | 2015 £ |
|--------------------------------|-------------------|-------------------|
| Trade debtors | 20,930,565 | 20,626,246 |
| Deferred tax assets (note 15) | 18,174 | 18,174 |
| Prepayments and accrued income | 350,487 | 455,577 |
| Other debtors | 254,107 | 431,289 |
| | <u>21,553,333</u> | <u>21,531,286</u> |

Included within deferred tax assets is £18,174 (2015: £18,174) expected to be recovered in more than one year.

13 Creditors: amounts falling due within one year

| | 2016 £ | 2015 £ |
|------------------------------------|-------------------|-------------------|
| Bank overdrafts | - | 438,108 |
| Trade creditors | 2,660,744 | 2,461,634 |
| Amounts owed to group undertakings | 8,416,554 | 3,953,605 |
| Corporation tax | 115,125 | 265,062 |
| Other taxes and social security | 4,480,853 | 4,679,922 |
| Other creditors | - | 4,432,876 |
| Accruals and deferred income | 670,502 | 701,857 |
| | <u>16,343,778</u> | <u>16,933,064</u> |

Other creditors includes £nil (2015: £4,435,919) invoice discounting facility provided by Barclays Bank Plc. The facility is secured against trade debtors and carries interest at base rate + 2.4%.

Notes (continued)

14 Creditors: amounts falling due after more than one year

| | 2016 £ | 2015 £ |
|------------------------------------|-----------|-----------|
| Amounts owed to group undertakings | - | 81,004 |

15 Deferred tax assets and liabilities

| | Deferred taxation £ |
|--|---------------------------|
| At beginning of year – asset | 18,174 |
| Credit to the profit and loss for the year | - |
| At end of year – asset | 18,174 |

The elements of deferred taxation are as follows:

| | 2016 £ | 2015 £ |
|---|-----------|-----------|
| Difference between accumulated depreciation and amortisation and capital allowances | 18,174 | 18,174 |
| Deferred tax asset | 18,174 | 18,174 |

16 Called up share capital

| | 2016 £ | 2015 £ |
|---|-----------|-----------|
| <i>Allotted, called up and fully paid</i> 105,300 (2015: 105,300) ordinary shares of £1 each | 105,300 | 105,300 |
| Shares classified in shareholders' funds | 105,300 | 105,300 |

17 Financial instruments

17 (a) Carrying amount of financial instruments

There is no difference between the carrying amount and fair value of the company's financial instruments.

Notes (continued)

18 Operating leases

Non-cancellable operating lease rentals are payable as follows:

| | 2016 Land and buildings £ | Other £ | 2015 Land and buildings £ | Other £ |
|----------------------------|------------------------------------|--------------|------------------------------------|---------------|
| Less than one year | - | 6,380 | - | 724 |
| Between one and five years | 398,700 | - | 518,310 | 13,340 |
| More than five years | 700,239 | - | 865,000 | - |
| | <u>1,098,939</u> | <u>6,380</u> | <u>1,383,310</u> | <u>14,064</u> |

19 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £142,328 (2015: £153,612).

Contributions amounting to £25,170 (2015: £25,891) were payable to the scheme at the year end and are included in creditors.

20 Ultimate parent company and parent undertaking of larger group

The company is a subsidiary undertaking of ExamWorks UK Limited, incorporated in England and Wales.

The ultimate parent company was ExamWorks Group Inc, a New York Stock Exchange listed company incorporated in the United States of America, until July 2016 when it was acquired by Leonard Green & Partners L.P.

The largest group in which the results of the company are consolidated is that headed by ExamWorks UK Limited. The consolidated financial statements of this group are available to the public and may be obtained from Premex House Futura Park, Horwich, Bolton, BL6 6SX.

21 Accounting estimates and judgements

Key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Debtors

The Company establishes an estimate for a bad debt provision through an impairment test of trade debtors, resulting in an impairment loss.

There is objective evidence to suggest that such a review is required, based upon historic sampling of collections, breaches of contract, changes in the legal environment, and commercial / contractual waivers.

The impairment is based upon the application of a calculated historic bad debt write off percentage against the value of the debtor book, and is then assessed for appropriateness against any known current issues.