

UK Independent Medical Services Limited

Annual report and financial statements

Registered number 04530717

31 December 2018



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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 2000+ strong workforce within the ExamWorks UK group which has annualised sales in excess of £250 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 £1.5m (2017: Profit of £1.6m). The shareholders' funds total £8.2m (2017: £7m).

Turnover (overall) increased by 1% due to changes in the overall work type mix despite an increase in gross instructions of 17%.

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 October 2018 for 3 years.

Key performance indicators (KPI's)

| | 2018 | 2017 |
|--|--------|--------|
| Gross medico legal instructions | 51,812 | 44,201 |
| Gross medico legal instructions / day (ave.) | 205 | 175 |
| Turnover (£'000) | 16,359 | 16,195 |
| Contribution Margin % | 55% | 52% |
| Gross Margin % | 31% | 33% |
| DSO (Days Sales Outstanding) | 405 | 430 |
| Daily cash collection (ave.) (£) | 77,367 | 66,253 |

Strategic report (continued)

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 management accounts and the key drivers. |

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).

Brexit

The board have considered the potential risk of Brexit, and it is not believed that it will have any significant or material impact on any current or future valuations, principle risks, cash flow or business model of the company.

Future developments

There is an ongoing focus to identify new opportunities that potentially bring significant future growth and profitability. 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.

With this in mind, there is ongoing analysis of the companies' ability to achieve such growth through the continuous review of processes and systems, whereby we are always looking to drive additional shareholder value.

Signed on behalf of the Board



C Nairns

Director

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

30 September 2019

Directors' report

Proposed dividend

The directors do not recommend the payment of a dividend (2017: £nil).

Directors

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

PC Healey

PR Gray

C Nairns

Political contributions

The company made no political donations or incurred any political expenditure during the year (2017: £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



C Nairns

Director

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

30 September 2019

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, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

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

Opinion

We have audited the financial statements of UK Independent Medical Services Limited ("the company") for the year ended 31 December 2018 which comprise the Statement of Profit and Loss and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as impairment of investments in subsidiary undertakings and the appropriateness of the going concern basis of preparation of the financial statements and the carrying value of the company's non financial and financial assets. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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.

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

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

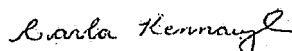
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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



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

23 October 2019

Profit and loss account and other comprehensive income
for the year ended 31 December 2018

| | <i>Note</i> | 2018 | 2017 |
|--|-------------|------------------|------------------|
| | | £ | £ |
| Turnover | 2 | 16,359,298 | 16,195,293 |
| Cost of sales | | (11,235,645) | (10,888,203) |
| Gross profit | | 5,123,653 | 5,307,090 |
| Administrative expenses | | (3,502,944) | (3,749,357) |
| Operating profit | | 1,620,709 | 1,557,733 |
| Interest payable and similar expenses | 6 | (84,739) | (5,413) |
| Profit before taxation | | 1,535,970 | 1,552,320 |
| Tax on profit | 7 | (300,737) | (314,570) |
| Profit for the financial year | | 1,235,233 | 1,237,750 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | 1,235,233 | 1,237,750 |

All results derive from continuing operations.

The accompanying notes form part of these financial statements.

Balance sheet
at 31 December 2018

| | <i>Note</i> | 2018 | | 2017 | |
|--|-------------|--------------|-----------|--------------|-----------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Intangible assets | 8 | | 655 | | 10,474 |
| Tangible assets | 9 | | 76,203 | | 149,785 |
| Investments | 10 | | 607 | | 607 |
| | | | <hr/> | | <hr/> |
| | | | 77,465 | | 160,866 |
| Current assets | | | | | |
| Debtors | 11 | 20,391,083 | | 22,341,805 | |
| Cash at bank and in hand | | 34 | | 809 | |
| | | <hr/> | | <hr/> | |
| | | 20,391,117 | | 22,342,614 | |
| Creditors: amounts falling due within one year | 12 | (12,206,875) | | (15,477,758) | |
| | | <hr/> | | <hr/> | |
| Net current assets | | | 8,184,242 | | 6,864,856 |
| | | | <hr/> | | <hr/> |
| Total assets less current liabilities | | | 8,261,707 | | 7,025,722 |
| | | | <hr/> | | <hr/> |
| Provisions for liabilities | | | | | |
| Deferred tax liability | 13 | | (48,671) | | (47,919) |
| | | | <hr/> | | <hr/> |
| Net assets | | | 8,213,036 | | 6,977,803 |
| | | | <hr/> | | <hr/> |
| Capital and reserves | | | | | |
| Called up share capital | 14 | | 105,300 | | 105,300 |
| Profit and loss account | | | 8,107,736 | | 6,872,503 |
| | | | <hr/> | | <hr/> |
| Shareholders' funds | | | 8,213,036 | | 6,977,803 |
| | | | <hr/> | | <hr/> |

These financial statements were approved by the board of directors on 30 September 2019 and were signed on its behalf by:



C Nairns

Director

Company registered number:
04530717

The accompanying notes form part of these financial statements.

Statement of changes in equity

| | Called up share capital | Profit and loss account | Total Equity |
|---|-------------------------|-------------------------|------------------|
| | £ | £ | £ |
| Balance at 1 January 2017 | 105,300 | 5,634,753 | 5,740,053 |
| Total comprehensive income for the period | | | |
| Profit | - | 1,237,750 | 1,237,750 |
| Other comprehensive income | - | - | - |
| | | | |
| Total comprehensive income for the period | - | 1,237,750 | 1,237,750 |
| | | | |
| Transactions with owners, recorded directly in equity | - | - | - |
| | | | |
| Total contributions by and distributions to owners | - | - | - |
| | | | |
| Balance at 31 December 2017 | 105,300 | 6,872,503 | 6,977,803 |
| | | | |
| | Called up share capital | Profit and loss account | Total Equity |
| | £ | £ | £ |
| Balance at 1 January 2018 | 105,300 | 6,872,503 | 6,977,803 |
| Total comprehensive income for the period | | | |
| Profit | - | 1,235,233 | 1,235,233 |
| Other comprehensive income | - | - | - |
| | | | |
| Total comprehensive income for the period | - | 1,235,233 | 1,235,233 |
| | | | |
| Transactions with owners, recorded directly in equity | - | - | - |
| | | | |
| Total contributions by and distributions to owners | - | - | - |
| | | | |
| Balance at 31 December 2018 | 105,300 | 8,107,736 | 8,213,036 |

The accompanying notes form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

UK Independent Medical Services Limited (the "Company") is a private company incorporated, domiciled and registered in England and Wales in the UK. The registered number is 04530717 and the registered address is Brenner House, Rainton Bridge Business Park, Houghton Le Spring, Tyne And Wear, DH4 5RA.

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.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

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

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"). The presentation currency of these financial statements is sterling.

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 19.

Basis of consolidation

The Company's ultimate parent undertaking, ExamWorks Group Inc, includes the Company in its consolidated financial statements. 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 UK Limited, 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.

Related parties

The entity has taken advantage of the exemption within FRS102.33 not to disclose related party transactions with entities that are part of the Examworks UK Limited group, as consolidated financial statements in which this company is included are publicly available.

Notes *(continued)*

1 Accounting policies *(continued)*

Going concern

As discussed in the Strategic Report, the Company is a direct operating subsidiary undertaking of Examworks UK Limited. UK Independent Medical Limited financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the reasons outlined below.

In determining whether the company's financial statements for the year ended 31 December 2018 can be prepared on a going concern basis, the directors considered all factors likely to affect their future development, performance and financial position, including cash flows, liquidity position and borrowing facilities and the risks and uncertainties relating to its business activities in the current economic climate.

The Company has met its day to day working capital requirements through short term borrowings through its overdraft facility, which stands at £1,628,260 at the balance sheet date. The directors have prepared the Company's trading and cash flow forecasts for the period to 31 December 2020 from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, including funding from its ultimate parent Examworks Group Inc. (direct parent of Examworks UK Limited) (should this be required) to meet its liabilities as they fall due for that period.

The wider Examworks UK Group holds a secured invoice discounting facility, which has an associated operational covenant which has not been met by the Group as at 31 December 2018. On 27 September 2019 the operational covenant that gave rise to the breach was amended, with the Group no longer being in breach of the covenant from this date. The facility is repayable on demand and is shown as a current liability on the Examworks UK Group balance sheet.

The Company's ultimate parent, Examworks Group Inc. has indicated its intention to continue to make available such funds as are needed, and does not intend to seek repayment of the amounts due to the wider Group. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently the directors have formed a judgement that there is a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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.

Notes *(continued)*

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.

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, an estimated useful life of 5 years from the date of transition has been applied, being less than the 10 year maximum life as dictated by FRS 102.

- 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.

Notes (continued)

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.

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.

Notes (continued)

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. Foreign currency gains and losses are reported on a net basis.

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 represents amounts receivable for services provided in the normal course of business, net of trade discount and exclusive of value added tax.

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

| | 2018 £ | 2017 £ |
|-----------------------|-------------------|-------------------|
| <i>By activity</i> | | |
| Medico legal services | 15,250,989 | 14,414,902 |
| Other services | 1,108,309 | 1,780,391 |
| | <u>16,359,298</u> | <u>16,195,293</u> |

All revenue is derived in the UK.

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

| | 2018 £ | 2017 £ |
|----------------------------------|------------------|----------------|
| Impairment loss on trade debtors | <u>1,115,773</u> | <u>599,198</u> |

Notes (continued)

3 Expenses and auditor's remuneration (continued)

| | £ | £ |
|--|-------------------|-------------------|
| <i>Auditor's remuneration:</i> | | |
| Audit of these financial statements | 26,000 | 24,310 |
| Amounts receivable by the auditors and their associates in respect of: | | |
| Other services relating to taxation | 5,740 | 6,000 |
| Tax compliance services | 1,000 | 800 |
| | <u> </u> | <u> </u> |

4 Remuneration of directors

| | 2018 | 2017 |
|---|-------------------|-------------------|
| | £ | £ |
| Directors emoluments | 248,454 | 146,437 |
| Company contributions to money purchase pension schemes | 22,117 | 17,108 |
| | <u> </u> | <u> </u> |

The emoluments of the highest paid director were £99,921 (2017: £56,548) and company pension contributions of £4,121 (2017: £7,325) were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to three directors (2017: 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 | |
|----------------|---------------------|-------------------|
| | 2018 | 2017 |
| Management | 5 | 5 |
| Direct staff | 90 | 102 |
| Indirect staff | 36 | 39 |
| Finance staff | 13 | 12 |
| | <u> </u> | <u> </u> |
| | 144 | 158 |
| | <u> </u> | <u> </u> |

The aggregate payroll costs of these persons were as follows:

| | 2018 | 2017 |
|-----------------------------------|-------------------|-------------------|
| | £ | £ |
| Wages and salaries | 3,029,222 | 3,238,859 |
| Social security costs | 249,029 | 289,143 |
| Other pension costs (see note 17) | 106,341 | 122,347 |
| | <u> </u> | <u> </u> |
| | 3,384,592 | 3,650,349 |
| | <u> </u> | <u> </u> |

Wages and salaries includes £29,881 relating to redundancy payments made in the period.

Notes (continued)

6 Interest payable and similar expenses

| | 2018 | 2017 |
|---|--------|-------|
| | £ | £ |
| Interest payable on financial liabilities | 84,739 | 5,413 |

7 Taxation

Total tax expense recognised in the profit and loss account

| | 2018 | 2017 |
|--|---------|---------|
| | £ | £ |
| <i>Current tax</i> | | |
| Current tax on income for the period | 299,985 | 248,477 |
| Total current tax | 299,985 | 248,477 |
| <i>Deferred tax (see note 13)</i> | | |
| Origination/reversal of timing differences | - | 53,504 |
| Adjustments in respect of prior periods | 752 | 12,589 |
| Total deferred tax | 752 | 66,093 |
| Total tax | 300,737 | 314,570 |

Reconciliation of effective tax rate

| | 2018 | 2017 |
|---|-----------|-----------|
| | £ | £ |
| <i>Current tax reconciliation</i> | | |
| Profit for the year | 1,235,233 | 1,237,750 |
| Total tax expense | 300,737 | 314,570 |
| Profit excluding taxation | 1,535,970 | 1,552,320 |
| Current tax at 19% (2017: 19.25%) | 291,834 | 298,822 |
| <i>Effects of:</i> | | |
| Expenses not deductible for tax purposes | 8,150 | 3,159 |
| Adjustments in respect of prior periods | 752 | 12,589 |
| Total tax expenses included in profit or loss | 300,736 | 314,570 |

Factors that may affect future current and total tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015; and an additional reduction to 17% was substantially enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2018 has been calculated based on these rates.

Notes (continued)

8 Intangible fixed assets

| | Development | | |
|-----------------------|---------------|------------|------------|
| | Goodwill £ | costs £ | Total £ |
| Cost | | | |
| At beginning of year | 69,246 | 380,970 | 450,216 |
| Additions | - | 694 | 694 |
| At end of year | 69,246 | 381,664 | 450,910 |
| Amortisation | | | |
| At beginning of year | 59,393 | 380,349 | 439,742 |
| Charged in year | 9,853 | 660 | 10,513 |
| At end of year | 69,246 | 381,009 | 450,255 |
| Net book value | | | |
| At 31 December 2018 | - | 655 | 655 |
| At 31 December 2017 | 9,853 | 621 | 10,474 |

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 was to increase the amount of goodwill by £69,246.

9 Tangible fixed assets

| | Fixtures, fittings and equipment £ |
|-----------------------|---|
| Cost | |
| At beginning of year | 1,533,719 |
| Additions | 4,934 |
| At end of year | 1,538,653 |
| Depreciation | |
| At beginning of year | 1,383,934 |
| Charge for year | 78,516 |
| At end of year | 1,462,450 |
| Net book value | |
| At 31 December 2018 | 76,203 |
| At 31 December 2017 | 149,785 |

Notes (continued)

10 Fixed asset investments

| | Shares in group undertakings |
|------------------------------|------------------------------------|
| | £ |
| Cost | |
| At beginning and end of year | 20,752 |
| Provisions | |
| At beginning and end of year | 20,145 |
| Net book value | |
| At 31 December 2018 | 607 |
| At 31 December 2017 | 607 |

The Company has the following investments in subsidiaries all incorporated in England:

| | Registered office address | Principal activity | Class and percentage of shares held |
|---------------------------------------|--|-----------------------|---|
| Subsidiary undertakings | | | |
| Axis Costs Limited | Brenner House, Rainton Bridge Business Park Houghton-le-Spring, DH4 5RA | Dormant | 100% Ordinary |
| UK Legal Funding Solutions Limited | Brenner House, Rainton Bridge Business Park Houghton-le-Spring, DH4 5RA | Dormant | 100% Ordinary |
| UK Legal Imaging Services Limited | Brenner House, Rainton Bridge Business Park Houghton-le-Spring, DH4 5RA | Dormant | 100% Ordinary |

11 Debtors

| | 2018 £ | 2017 £ |
|--------------------------------|-------------------|-------------------|
| Trade debtors | 20,132,998 | 21,979,348 |
| Prepayments and accrued income | 158,085 | 262,457 |
| Other debtors | 100,000 | 100,000 |
| | 20,391,083 | 22,341,805 |

Notes (continued)

12 Creditors: amounts falling due within one year

| | 2018 | 2017 |
|------------------------------------|-------------------|-------------------|
| | £ | £ |
| Bank overdraft | 2,101,311 | 654,073 |
| Trade creditors | 3,015,268 | 3,117,557 |
| Amounts owed to group undertakings | 2,732,379 | 7,052,240 |
| Corporation tax | 110,855 | 128,296 |
| Other taxes and social security | 3,959,751 | 4,117,818 |
| Accruals and deferred income | 287,311 | 407,774 |
| | <u>12,206,875</u> | <u>15,477,758</u> |

Bank overdraft includes £1,628,260 (2017: £43,961) invoice discounting facility provided by Barclays Bank Plc. The facility is secured against trade debtors and carries interest at base rate + 2.4%.

13 Deferred tax assets and liabilities

| | Deferred taxation £ |
|------------------------------|---------------------------|
| At beginning of year | (47,919) |
| Charge for the year (note 7) | (752) |
| At end of year – liability | <u>(48,671)</u> |

The elements of deferred taxation are as follows:

| | 2018 | 2017 |
|--------------------------------|-----------------|-----------------|
| | £ | £ |
| Accelerated capital allowances | (48,671) | (47,919) |
| Deferred tax liability | <u>(48,671)</u> | <u>(47,919)</u> |

14 Called up share capital

| | 2018 | 2017 |
|--|----------------|----------------|
| | £ | £ |
| <i>Allotted, called up and fully paid</i> | | |
| 105,300 (2017: 105,300) ordinary shares of £1 each | 105,300 | 105,300 |
| Shares classified in shareholders' funds | <u>105,300</u> | <u>105,300</u> |

15 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)

16 Operating leases

Non-cancellable operating lease rentals are payable as follows:

| | 2018 | 2017 |
|----------------------------|-----------------------|-----------------------|
| | Land and buildings | Land and buildings |
| | £ | £ |
| Less than one year | 164,762 | 284,372 |
| Between one and five years | 247,143 | 530,195 |
| | <u>411,905</u> | <u>814,567</u> |

During the year £257,926 was recognised as an expense in the profit and loss account in respect of leases (2017: £364,056).

17 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 £106,341 (2017: £122,347).

Contributions amounting to £35,907 (2017: £33,243) were payable to the scheme at the year end and are included in creditors.

18 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 is Gold Parent LLP, incorporated in the United States of America.

The largest group in which the results of the company are consolidated is that headed by ExamWorks Group Inc.

The smallest 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.

19 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.