

UK Independent Medical Services Limited

Annual report and financial statements

Registered number 04530717

31 December 2017

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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 £1.6m (2016: Profit of £987k). The shareholders' funds total £7m (2016: £5.7m).

Turnover (overall) decreased by 1% due to changes in the overall work type mix despite an increase in gross instructions of 59%.

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.

Key performance indicators (KPI's)

	2017	2016
Gross medico legal instructions	44,201	27,845
Gross medico legal instructions / day (ave.)	175	110
Turnover	16,195	16,315
Contribution Margin %	52%	56%
Gross Margin %	33%	36%
Debtor Days	430	388
Daily cash collection (ave.)	66,253	70,453

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).

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.

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 2017 and into 2018.

Signed on behalf of the Board



C Nairns
Director

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

28 September 2018

Directors' report

Proposed dividend

The directors do not recommend the payment of a dividend (2016: £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 (2016: £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

28 September 2018

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
United Kingdom

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 2017 which comprise the profit and loss account and other comprehensive income, statement of changes in equity, balance sheet 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 2017 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.

Going concern

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

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.

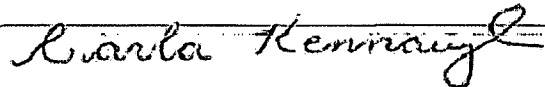
Auditor's responsibilities

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

28 September 2018

Profit and loss account and other comprehensive income
for the year ended 31 December 2017

	<i>Note</i>	2017 £	2016 £
Turnover	2	16,195,293	16,315,457
Cost of sales		(10,888,203)	(10,394,543)
Gross profit		5,307,090	5,920,914
Administrative expenses		(3,749,357)	(4,860,646)
Operating profit		1,557,733	1,060,268
Interest payable and similar expenses	6	(5,413)	(73,466)
Profit before taxation		1,552,320	986,802
Tax on profit	7	(314,570)	(227,582)
Profit for the financial year		1,237,750	759,220
Other comprehensive income		-	-
Total comprehensive income for the year		1,237,750	759,220

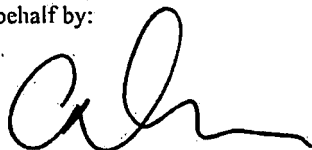
All results derive from continuing operations.

The accompanying notes form part of these financial statements.

Balance sheet
at 31 December 2017

	Note	2017 £	£	2016 £	£
Fixed assets					
Intangible assets	8		10,474		22,721
Tangible assets	9		149,785		286,113
Investments	10		607		607
			<u>160,866</u>		<u>309,441</u>
Current assets					
Debtors (including £nil (2016: £18,174) due after more than one year)	11	22,341,805		21,553,333	
Cash at bank and in hand		809		221,057	
		<u>22,342,614</u>		<u>21,774,390</u>	
Creditors: amounts falling due within one year	12	(15,477,758)		(16,343,778)	
Net current assets			<u>6,864,856</u>		<u>5,430,612</u>
Total assets less current liabilities			<u>7,025,722</u>		<u>5,740,053</u>
Provisions for liabilities					
Deferred tax liability	13		(47,919)		-
Net assets			<u>6,977,803</u>		<u>5,740,053</u>
Capital and reserves					
Called up share capital	14		105,300		105,300
Profit and loss account			6,872,503		5,634,753
Shareholders' funds			<u>6,977,803</u>		<u>5,740,053</u>

These financial statements were approved by the board of directors on 28 September 2018 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 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
	Called up share capital £	Profit and loss account £	Called up share capital £
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

The accompanying notes form part of these financial statements.

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.

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.

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.

The Company's ultimate parent undertaking, ExamWorks Group Inc, includes the Company in its consolidated financial statements. 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 19.

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.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

The company has cash of £809 as at 31 December 2017.

In determining whether the company's financial statements for the year ended 31 December 2017 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.

Notes

1 Accounting policies (continued)

Going concern (continued)

The directors have prepared trading and cash flow forecasts for the period to 31 December 2019 as part of their going concern assessment, and have considered reasonable downside sensitivities which take into account the uncertainties in the current operating environment including amongst other matters demand for the company's services and its available financing facilities. These show that the company should be able to operate within its banking facilities provided that the company is not required to settle the amounts due to Premex Group Limited and Examworks UK Limited, which totalled £7.0m at the balance sheet date. The directors have no reason to consider that the existing bank facilities will not be successfully renewed when they expire in July 2019.

Further, the company's ultimate parent, Examworks Group Inc, has indicated its intention to provide such financial support as UK Independent Medical Services Limited will require for at least the next twelve months from the date of approval of the 31 December 2017 financial statements, including providing the funding necessary in the event that Premex Group Limited and Examworks UK Limited demands repayment of £7.0m at the balance sheet date.

Consequently the directors have formed a judgement that there is a reasonable expectation that the company has 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.

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
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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.

1 Accounting policies (*continued*)

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.

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. 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 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

	2017 £	2016 £
<i>By activity</i>		
Medico legal services	14,414,902	12,869,352
Other services	1,780,391	3,446,105
	<u>16,195,293</u>	<u>16,315,457</u>

All revenue is derived in the UK.

Notes (continued)

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2017 £	2016 £
Impairment loss on trade debtors	599,198	595,747
<i>Auditor's remuneration:</i>	£	£
Audit of these financial statements	24,310	22,150
Amounts receivable by the auditors and their associates in respect of:		
Other services relating to taxation	6,000	5,500
Tax compliance services	800	775

4 Remuneration of directors

	2017 £	2016 £
Directors' emoluments	146,437	151,579
Company contributions to money purchase pension schemes	17,108	7,307

The emoluments of the highest paid director were £56,548 (2016: £151,579) and company pension contributions of £7,325 (2016: £7,307) were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to one director (2016: 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	
	2017	2016
Management	5	5
Direct staff	102	142
Indirect staff	39	33
Finance staff	12	12
	158	192

The aggregate payroll costs of these persons were as follows:

	2017 £	2016 £
Wages and salaries	3,238,859	4,127,733
Social security costs	289,143	440,098
Other pension costs (see note 17)	122,347	142,328
	3,650,349	4,710,159

Notes (continued)

6 Interest payable and similar expenses

	2017 £	2016 £
Interest payable on financial liabilities	5,413	73,466

7 Taxation

Total tax expense recognised in the profit and loss account

	2017 £	2016 £
<i>Current tax</i>		
Current tax on income for the period	248,477	227,582
Total current tax	248,477	227,582
<i>Deferred tax (see note 13)</i>		
Origination/reversal of timing differences	53,504	-
Adjustments in respect of prior periods	12,589	-
Total deferred tax	66,093	-
Total tax	314,570	227,582

Reconciliation of effective tax rate

	2017 £	2016 £
<i>Current tax reconciliation</i>		
Profit for the year	1,237,750	759,220
Total tax expense	314,570	227,582
Profit excluding taxation	1,552,320	986,802
Current tax at 19.25% (2016: 20%)	298,822	197,360
<i>Effects of:</i>		
Expenses not deductible for tax purposes	3,159	12,531
Deferred tax not recognised	-	17,691
Adjustments in respect of prior periods	12,589	-
Total tax expenses included in profit or loss	314,570	227,582

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 substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2017 has been calculated based on these rates.

Notes (continued)

8 Intangible fixed assets

	Goodwill £	Development costs £	Total £
<i>Cost</i>			
At beginning and end of year	69,246	380,970	450,216
At end of year	69,246	380,970	450,216
<i>Amortisation</i>			
At beginning of year	49,539	377,956	427,495
Charged in year	9,854	2,393	12,247
At end of year	59,393	380,349	439,742
<i>Net book value</i>			
At 31 December 2017	9,853	621	10,474
At 31 December 2016	19,707	3,014	22,721

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 £
<i>Cost</i>	
At beginning of year	1,521,610
Additions	12,109
At end of year	1,533,719
<i>Depreciation</i>	
At beginning of year	1,235,497
Charge for year	148,437
At end of year	1,383,934
<i>Net book value</i>	
At 31 December 2017	149,785
At 31 December 2016	286,113

Notes (continued)

10 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 2017	607
At 31 December 2016	607

The Company has the following investments in subsidiaries:

	Registered office address	Principal activity	Class and percentage of shares held
<i>Subsidiary undertakings</i>			
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

	2017 £	2016 £
Trade debtors	21,979,348	20,930,565
Deferred tax assets (note 13)	-	18,174
Prepayments and accrued income	262,457	350,487
Other debtors	100,000	254,107
	<u>22,341,805</u>	<u>21,553,333</u>

Included within deferred tax assets is £nil (2016: £18,174) expected to be recovered in more than one year.

12 Creditors: amounts falling due within one year

	2017 £	2016 £
Bank overdraft	654,073	-
Trade creditors	3,117,557	2,660,744
Amounts owed to group undertakings	7,052,240	8,416,554
Corporation tax	128,296	115,125
Other taxes and social security	4,117,818	4,480,853
Accruals and deferred income	407,774	670,502
	<u>15,477,758</u>	<u>16,343,778</u>

Bank overdraft includes £43,961 (2016: £nil) 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)

13 Deferred tax assets and liabilities

	Deferred taxation £
At beginning of year – asset	18,174
Charge for the year (note 7)	(66,093)
At end of year – liability	(47,919)

The elements of deferred taxation are as follows:

	2017 £	2016 £
Accelerated capital allowances	(47,919)	18,174
Deferred tax (liability)/asset	(47,919)	18,174

14 Called up share capital

	2017 £	2016 £
<i>Allotted, called up and fully paid</i> 105,300 (2016: 105,300) ordinary shares of £1 each	105,300	105,300
Shares classified in shareholders' funds	105,300	105,300

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.

16 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017 Land and buildings £	Other £	2016 Land and buildings £	Other £
Less than one year	284,372	-	-	6,380
Between one and five years	530,195	-	398,700	-
More than five years	-	-	700,239	-
	814,567	-	1,098,939	6,380

During the year £364,056 was recognised as an expense in the profit and loss account in respect of leases (2016: £367,156).

Notes (continued)

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 £122,347 (2016: £142,328).

Contributions amounting to £33,243 (2016: £25,170) 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 Leonard Green & Partners L.O., 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 consolidated financial statements of this group are available to the public and may be obtained from 3280 Peachtree Road NE, Suite 2625, Atlanta, GA 30305, USA.

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.