UK Independent Medical Services Limited

Annual report and financial statements
Registered number 04530717
31 December 2020

Contents

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 £0.2m (2019: Profit of £1.9m). The shareholders' funds total £10.4m (2019: £10.2m).

As expected, due to the impact of lockdowns and government restrictions in response to Covid-19, reducing general road traffic, medico legal instructions and, in turn, turnover reduced in 2020 by 32% and 27% respectively.
However, with close management of controllable spend throughout the year, the Company was able to maintain a strong gross margin of 27%- a reduction of only 8% year on year.
The main impact was seen in the first lockdown and the company experienced an immediate reduction to instruction volumes in the second quarter of 2020 for the Medical Legal business unit. The business adapted quickly and developed a digital non face to face medical appointment process, which enabled the recovery of instruction numbers to commence. The Company recorded a small loss in the second quarter of 2020 and in July 2020, after which it has returned to profitability which is expected to continue going forward.

Key performance indicators (KPI's)

	2020	2019
Gross medico legal instructions	34,082	50,386
Gross medico legal instructions / day (ave.)	134	199
Turnover (£'000)	10,615	14,569
Contribution Margin %	54%	53%
Gross Margin %	27%	35%
DSO (Days Sales Outstanding)	471	427
Daily cash collection (ave.) (£)	54,425	65,561

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	Mitigation of risk
Regretted attrition in senior management and key personnel	Loss of knowledge and expertise	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.	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.	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.	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 risks of Brexit, and it is not believed that it will jeopardise the Company's ability to operate as a going concern. There has been no impact on the business post Brexit, and no future impact is anticipated.

COVID-19

In assessing the company's going concern, Management has considered the impact of COVID-19 on the business (supply chains, employees, recoverability of debts and cash flow) in 2020. It has been concluded that, whilst the pandemic has had an impact on the business, there are no material uncertainties that cast doubt on going concern. Following the lockdown introduced on 23 March 2020, the company experienced an immediate reduction to instruction volumes in the second quarter of 2020 for the Medical Legal business units. The business quickly developed a digital non face to face medical appointment process, which enabled the recovery of instruction numbers to commence. The company recorded a small loss in the second quarter of 2020 and in July 2020, after which it has returned to profitability which is expected to continue going forward.

With the gradual easing of government restrictions in the UK over the coming months, road traffic volumes are expected to increase steadily, month on month. There is an exponential increase in claims volumes as road traffic volumes increase. It is expected that higher than average volumes of holidays will be taken within the UK, rather than abroad, thus increasing claim volumes.

Signed on behalf of the Board

C Nairns
Director

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

12 August 2021

Directors' report

Proposed dividend

The directors do not recommend the payment of a dividend (2019: £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 (2019: £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.

Going Concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The company has met it's day to day working capital requirements through its invoice discounting facility and overdraft, which together stand at £3,983,875 at the balance sheet date. This is a joint facility with another subsidiary of Examworks Inc. These amounts are repayable on demand.

In determining whether the company's financial statements for the year ended 31 December 2020 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 directors have prepared cash flow forecasts for the period of 12 months from the date of approval of the financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through its overdraft facility and funding from its ultimate parent company, Examworks Group Inc. to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Examworks Group Inc providing additional financial support during that period if needed. Examworks Group Inc has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. 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 are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Directors' report *(continued)*

Future developments

The Civil Liability Act along with the associated whiplash reforms was implemented from 1 June 2021. There has not been an impact from this as yet and it is not anticipated that this will negatively impact the performance of the company.

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.

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

12 August 2021

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

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;
- 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

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 2020 which comprise the Statement of Profit and Loss and Other Comprehensive Income, the Balance Sheet, 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 2020 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

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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included.

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.

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

- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, which we consider to be heightened due to the impact of Covid-19 on the business. In addition, there is also a risk that revenue may be deferred in order for income to be recorded in future periods. We perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as the provision for bad debts.

We also identified a fraud risk related to completeness of the bad debt provision in response to the the potential material impact a small change could have on profit in the year and possible pressures to meet profit targets.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included unexpected cash receipt/payments to cash/borrowings, unexpected journal entries to revenue and unexpected journal entries to debtors.
- Assessing the bad debt provision significant estimate for management bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and the Civil Liability Act and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, recognising the financial nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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

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 5, 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.

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

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

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

12 August 2021

Profit and loss account and other comprehensive income

for the year ended 31 December 2020

	Note	2020	2019
		£	£
Turnover	2	**10,615,238**	14,568,531
Cost of sales		**(7,701,020)**	(9,449,746)
Gross profit		**2,914,218**	5,118,785
Administrative expenses		**(2,815,284)**	(3,090,282)
Other Income	3	**212,759**	-
Operating profit		**311,693**	2,028,503
Interest payable and similar expenses	7	**(104,597)**	(107,304)
Profit before taxation		**207,096**	1,921,199
Tax on profit	8	**81,465**	21,200
Profit for the financial year		**288,561**	1,942,399
Other comprehensive income		**-**	-
Total comprehensive income for the year		**288,561**	1,942,399

All results derive from continuing operations.

The accompanying notes form part of these financial statements.

Balance sheet
at 31 December 2020

	Note	2020		2019	
		£	£	£	£
Fixed assets					
Intangible assets	9		6,516		424
Tangible assets	10		42,559		62,454
Investments	12		607		607
			49,682		63,485
Current assets					
Debtors	13	20,836,735		21,247,473	
Cash at bank and in hand		18		277	
		20,836,753		21,247,750	
Creditors: amounts falling due within one year	14	(10,483,504)		(11,115,400)	
Net current assets			10,353,249		10,132,350
Deferred tax asset	15		41,065		-
Total assets less current liabilities			10,443,996		10,195,835
Provisions for liabilities					
Deferred tax liability	15		-		(40,400)
Net assets			10,443,996		10,155,435
Capital and reserves					
Called up share capital	16		105,300		105,300
Profit and loss account			10,338,696		10,050,135
Shareholders' funds			10,443,996		10,155,435

These financial statements were approved by the board of directors on 12 August 2021 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 2019	105,300	8,107,736	8,213,036
Total comprehensive income for the period			
Profit	-	1,942,399	1,942,399
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	1,942,399	1,942,399
Transactions with owners, recorded directly in equity	-	-	-
Total contributions by and distributions to owners	-	-	-
Balance at 31 December 2019	105,300	10,050,135	10,155,435

	Called up share capital	Profit and loss account	Total Equity
	£	£	£
Balance at 1 January 2020	105,300	10,050,135	10,155,435
Total comprehensive income for the period			
Profit	-	288,561	288,561
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	288,561	288,561
Transactions with owners, recorded directly in equity	-	-	-
Total contributions by and distributions to owners	-	-	-
Balance at 31 December 2020	**105,300**	**10,338,696**	**10,443,996**

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 21.

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

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The company has met it's day to day working capital requirements through its invoice discounting facility and overdraft, which together stand at £3,983,875 at the balance sheet date. This is a joint facility with another subsidiary of Examworks Inc. These amounts are repayable on demand.

In determining whether the company's financial statements for the year ended 31 December 2020 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 directors have prepared cash flow forecasts for the period of 12 months from the date of approval of the financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through its overdraft facility and funding from its ultimate parent company, Examworks Group Inc. to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Examworks Group Inc providing additional financial support during that period if needed. Examworks Group Inc has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. 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 are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Basic financial instruments

Trade and other debtors / creditors

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

Interest-bearing borrowings classified as basic financial instruments

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

Notes *(continued)*

1 Accounting policies *(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)*

1 Accounting policies *(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.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

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 is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Government Grants

During 2020, the Company claimed under the Coronavirus Job Retention Scheme for wages for a number of staff who were furloughed due to a reduction in instruction numbers. The costs reclaimed have been included in other operational income in the profit and loss account.

Notes *(continued)*

1 Accounting policies *(continued)*

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 at the point when the instructed service is delivered to the customer where terms are agreed.

The Company makes some sales where the revenue is contingent on the outcome of a court case.

Turnover is shown net of waived fees. Amounts that have been waived are deducted from revenue and a provision is made for expected waives.

The direct costs associated with revenue are recognised on a consistent basis.

2 Turnover

	2020	2019
	£	£
By activity		
Medico legal services	**9,479,659**	13,669,690
Pagination services	**1,107,968**	898,841
Occupational health services	**27,611**	-
	10,615,238	14,568,531

All revenue is derived in the UK.

3 Other Income

	2020	2019
	£	£
Government grants	**212,759**	-
	212,759	0

During 2020, the Company claimed under the Coronavirus Job Retention Scheme for wages for a number of staff who were furloughed due to a reduction in instruction numbers.

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2020	2019
	£	£
Impairment loss on trade debtors	**386,601**	150,735
Auditor's remuneration:	**£**	£
Audit of these financial statements	**33,000**	29,000
Amounts receivable by the auditors and their associates in respect of:		
Other services relating to taxation	**5,800**	5,600
Tax compliance services	**1,000**	1,000

5 Remuneration of directors

	2020	2019
	£	£
Directors emoluments	**195,009**	243,003
Company contributions to money purchase pension schemes	**10,165**	16,498

The emoluments of the highest paid director were £116,598 (2019: £114,200) and company pension contributions of £4,371 (2019: £4,335) were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to three directors (2019: three) under money purchase schemes.

Notes *(continued)*

6 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	
	2020	2019
Management	**5**	5
Direct staff	**74**	82
Indirect staff	**32**	35
Finance staff	**11**	12
	122	134

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£	£
Wages and salaries	**2,389,686**	2,655,344
Social security costs	**211,518**	221,284
Other pension costs (see note 19)	**96,794**	100,123
	2,697,998	2,976,751

7 Interest payable and similar expenses

	2020	2019
	£	£
Interest payable on financial liabilities	**104,597**	107,304

Notes *(continued)*

8 Taxation

Total tax expense recognised in the profit and loss account

	2020		2019	
	£	£	£	£
Current tax				
Current tax on income for the period	**34,532**		366,276	
Adjustments in respect of prior periods	**-**		(12,929)	
Group relief claimed	**(34,532)**		(366,276)	
Total current tax		**-**		(12,929)
Deferred tax (see note 15)				
Origination/reversal of timing differences	**11,519**		(8,271)	
Adjustments in respect of prior periods	**(92,984)**		-	
Total deferred tax		**(81,465)**		(8,271)
Total tax		**(81,465)**		(21,200)

Reconciliation of effective tax rate

	2020	2019
	£	£
Current tax reconciliation		
Profit for the year	**288,561**	1,942,399
Other comprehensive income	**-**	-
Total tax expense	**(81,465)**	(21,200)
Profit excluding taxation	**207,096**	1,921,199
Current tax at 19% (2019: 19%)	**39,348**	365,028
Effects of:		
Expenses not deductible for tax purposes	**1,692**	1,248
Adjustments in respect of prior periods	**(92,984)**	(12,929)
Origination/reversal of timing differences- deferred tax	**258**	(8,271)
Group relief claimed	**(34,532)**	(366,276)
Re-measurement of deferred tax - change in UK tax rate	**4,753**	-
Total tax (credit)/expense included in profit or loss	**(81,465)**	(21,200)

Factors that may affect future current and total tax charges

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17% as previously enacted). This new law was deemed substantively enacted on 17 March 2020. The deferred tax assets and liabilities provided for as at 31 March 2020 have been calculated at 19% (2019: 17%).

In the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023.

This will have a consequential effect on the Company's future tax charge. If this rate change had been subsantively enacted at the current balance sheet date the deferred tax asset would have increased by £2,161.

Notes *(continued)*

9 Intangible fixed assets

	Goodwill	Development Costs	Total
	£	£	£
Cost			
At beginning of year	69,246	381,664	450,910
Additions	-	7,605	7,605
At end of year	69,246	389,269	458,515
Amortisation			
At beginning of year	69,246	381,240	450,486
Charged in year	-	1,513	1,513
At end of year	69,246	382,753	451,999
Net book value			
At 31 December 2020	**-**	**6,516**	**6,516**
At 31 December 2019	-	424	424

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.

Notes *(continued)*

10 Tangible fixed assets

	Fixtures, fittings and equipment £
Cost	
At beginning of year	1,561,149
Additions	19,553
At end of year	1,580,702
Depreciation	
At beginning of year	1,498,695
Charge for year	39,448
At end of year	1,538,143
Net book value	
At 31 December 2020	**42,559**
At 31 December 2019	62,454

11 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 2020	**607**
At 31 December 2019	607

Notes *(continued)*

12 Fixed asset investments *(continued)*

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

Subsidiary undertakings	Registered office address	Principal activity	Class and percentage of shares held
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

13 Debtors

	2020	2019
	£	£
Trade debtors	**16,706,614**	19,674,137
Amounts owed by group undertakings	**3,480,241**	1,118,895
Prepayments and accrued income	**165,530**	156,367
Corporation tax	**384,350**	198,074
Other debtors	**100,000**	100,000
	20,836,735	21,247,473

Trade debtors above are stated net of a provision in place for unrecoverable debts totalling £2,027,478 (2019: £1,624,007).

Other debtors above includes £100,000 (2019: £100,000) refundable bond, in line with MedCo conpliance, which is not expected to be recovered in the 12 months following 31 December 2020.

14 Creditors: amounts falling due within one year

	2020	2019
	£	£
Bank overdraft	**3,983,875**	4,296,717
Trade creditors	**2,393,810**	2,774,172
Other taxes and social security	**3,897,597**	3,819,052
Accruals and deferred income	**208,222**	225,459
	10,483,504	11,115,400

Bank overdraft includes £3,762,918 (2019: £3,954,660) 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)*

15 Deferred tax assets and liabilities

	Deferred taxation £
At beginning of year	(40,400)
Charge for the year (see note 8)	81,465
At end of year – asset	**41,065**

The elements of deferred taxation are as follows:

	2020 £	2019 £
Accelerated capital allowances	**41,065**	(40,400)
Deferred tax asset/(liability)	**41,065**	(40,400)

16 Called up share capital

	2020 £	2019 £
Allotted, called up and fully paid		
105,300 (2019: 105,300) ordinary shares of £1 each	**105,300**	105,300
Shares classified in shareholders' funds	**105,300**	105,300

17 Financial instruments

17 (a) Carrying amount of financial instruments

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

Notes *(continued)*

18 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2020	2019
	Land and buildings	Land and buildings
	£	£
Less than one year	**41,191**	164,762
Between one and five years	**-**	41,191
	41,191	205,953

During the year £147,429 was recognised as an expense in the profit and loss account in respect of leases (2019: £163,386).

19 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £96,794 (2019: £100,123).

Contributions amounting to £33,719 (2019: £37,523) were payable to the scheme at the year end and are included in creditors.

20 Ultimate parent company and parent undertaking of larger group

The Company is a subsidiary undertaking of ExamWorks UK Limited, a company registered in England and Wales. The ultimate ownership of ExamWorks UK Limited is a "private equity" structure being constituted by Gold Parent GP, LLC (limited liability company registered in Delaware, USA) (GP), Gold Parent, L.P. (limited partnership registered in Delaware, USA) (LP), Gold Holdco, Inc. (corporation registered in Delaware, USA) and Gold Intermediate Holdco, Inc. (corporation registered in Delaware, USA). The LP is controlled by the Board of Managers of the GP. The limited partners holding 5% or more of the Class A Units of the LP and the members of the GP are EXW Coinvest L.P., Green Equity Investors Side VI, L.P., Green Equity Investors VI, L.P. and Viggo Investments Pte. Ltd. The largest UK group in which the results are consolidated in is ExamWorks UK Limited.

21 Accounting estimates and judgements

Key sources of estimation uncertainty

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

Debtors

The Company establishes an estimate for a bad debt provision through an impairment test of trade debtors, resulting in an impairment loss.
There is objective evidence to suggest that such a review is required, based upon historic sampling of collections, breaches of contract, changes in the legal environment, and commercial / contractual waives.
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.

22 Subsequent events

The Civil Liability Act along with the associated whiplash reforms was implemented from 1 June 2021. There has not been an impact from this as yet and it is not anticipated that this will negatively impact the performance of the company.
On 22 June 2021, CVC Capital Partners ("CVC") signed an agreement to acquire a majority interest in the ExamWorks group, which includes ExamWorks UK Limited. The current owners of ExamWorks, Leonard Green & Partners, L.P and GIC, will retain significant equity stakes in the business alongside CVC. The transaction is expected to close in 2021, subject to certain closing conditions and receipt of required regulatory approvals.