

Report of the Director and
Unaudited Financial Statements for the Period 1 January 2014 to 30 June 2015
for
React & Recover Medical Group Limited

8



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for the Period 1 January 2014 to 30 June 2015

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React & Recover Medical Group Limited
Company Information
for the Period 1 January 2014 to 30 June 2015

DIRECTOR	K J Fowle
SECRETARY	Ms K Morrison
REGISTERED OFFICE	50-52 Chancery Lane London WC2A 1HL
REGISTERED NUMBER	07316438 (England and Wales)

Report of the Director
for the Period 1 January 2014 to 30 June 2015

The director presents his report with the financial statements of the company for the period 1 January 2014 to 30 June 2015

PRINCIPAL ACTIVITY

The principal activities of the company are the provision of consultancy services and case management, to the insurance industry and legal fraternity

DIRECTORS

The directors who have held office during the period from 1 January 2014 to the date of this report are as follows

D Pearce - resigned 18 September 2014
R S Terry - appointed 18 September 2014 - resigned 25 November 2014
L Moorse - appointed 18 September 2014 - resigned 29 April 2015
R M Fielding - appointed 18 September 2014 – resigned 17 September 2015
K J Fowle - appointed 29 May 2015
P Laithwaite – resigned 18 September 2014

GOING CONCERN

As at 30 June 2015, the company had cash of £6,676 as well as access to significant banking facilities provided by the wider Slater & Gordon Group. No material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern have been identified by the director. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements, as discussed in more detail in Note 2

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Report of the Director and the financial statements in accordance with applicable law and regulations


Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the director must not approve the financial statements unless he is 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 director is required to

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

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies

BY ORDER OF THE BOARD



K J Fowle - Director

Date 31 March 2016

Statement of Profit or Loss
for the Period 1 January 2014 to 30 June 2015

	Notes	Period 1 1 14 to 30 6 15 £	Year Ended 31 12.13 £
CONTINUING OPERATIONS			
Revenue		4,860	94,670
Cost of sales		<u>(13,095)</u>	<u>-</u>
GROSS (LOSS)/PROFIT		(8,235)	94,670
Other operating income		-	5,998
Administrative expenses		<u>(4,202)</u>	<u>(35,131)</u>
OPERATING (LOSS)/PROFIT		<u>(12,437)</u>	<u>65,537</u>
(LOSS)/PROFIT BEFORE INCOME TAX 4		(12,437)	65,537
Income tax	5	<u>1,933</u>	<u>(14,687)</u>
(LOSS)/PROFIT FOR THE PERIOD		<u>(10,504)</u>	<u>50,850</u>

Statement of Profit or Loss and Other Comprehensive Income
for the Period 1 January 2014 to 30 June 2015

	Period 1 1.14 to 30.6 15 £	Year Ended 31 12 13 £
(LOSS)/PROFIT FOR THE PERIOD	(10,504)	50,850
OTHER COMPREHENSIVE INCOME	—	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>(10,504)</u>	<u>50,850</u>

Statement of Financial Position
30 June 2015

NON-CURRENT ASSETS

Property, plant and equipment	7	46,572	46,572
Investments	8	300	300
		<u>46,872</u>	<u>46,872</u>

CURRENT ASSETS

Trade and other receivables	9	66,027	61,900
Tax receivable		1,933	
Cash and cash equivalents	10	6,676	49,730
		<u>74,636</u>	<u>111,630</u>

TOTAL ASSETS		121,508	158,502
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CURRENT LIABILITIES

Trade and other payables	13	63,813	75,615
Tax payable		0	14,687
		<u>63,813</u>	<u>90,302</u>

TOTAL LIABILITIES

NET CURRENT ASSETS		10,823	21,328
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NET (LIABILITIES) / ASSETS		<u>57,695</u>	<u>68,200</u>
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EQUITY

SHAREHOLDERS' EQUITY

Called up share capital	11	201	201
Retained earnings	12	57,494	67,999
		<u>57,695</u>	<u>68,200</u>

TOTAL EQUITY

The company is entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies for the period ended 30 June 2015

The members have not required the company to obtain an audit of its financial statements for the period ended 30 June 2015 in accordance with Section 476 of the Companies Act 2006

The director acknowledges his responsibilities for

- (a) ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and
- (b) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company

The financial statements were approved by the director on 31 March 2016 and were signed by

 K J Fowler - Director

Statement of Changes in Equity
for the Period 1 January 2014 to 30 June 2015

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2013	201	81,649	81,850
Changes in equity			
Dividends	-	(64,500)	(64,500)
Total comprehensive income	<u>-</u>	<u>50,850</u>	<u>50,850</u>
Balance at 31 December 2013	<u>201</u>	<u>67,998</u>	<u>68,199</u>
Changes in equity			
Total comprehensive income	<u>-</u>	<u>(10,504)</u>	<u>(10,504)</u>
Balance at 30 June 2015	<u>201</u>	<u>57,494</u>	<u>57,695</u>

Statement of Cash Flows
for the Period 1 January 2014 to 30 June 2015

		Period 1 1 14 to 30 6 15 £	Year Ended 31 12.13 £
Cash flows from operating activities			
Cash generated from operations	1	(28,367)	(5,147)
Tax paid		<u>(14,687)</u>	<u>-</u>
Net cash from operating activities		<u>(43,054)</u>	<u>(5,147)</u>
Cash flows from investing activities			
Sale of tangible fixed assets		<u>-</u>	<u>81,432</u>
Net cash from investing activities		<u>-</u>	<u>81,432</u>
Cash flows from financing activities			
Equity dividends paid		<u>-</u>	<u>(64,500)</u>
Net cash from financing activities		<u>-</u>	<u>(64,500)</u>
(Decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at beginning of period	2	<u>49,730</u>	<u>37,945</u>
Cash and cash equivalents at end of period	2	<u><u>6,676</u></u>	<u><u>49,730</u></u>

Notes to the Statement of Cash Flows
for the Period 1 January 2014 to 30 June 2015

1 RECONCILIATION OF (LOSS)/PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	Period 1 1 14 to 30 6 15 £	Year Ended 31 12 13 £
(Loss)/profit before income tax	(12,437)	65,537
Depreciation charges	<u>-</u>	<u>(2,357)</u>
	(12,437)	63,180
(Increase) / Decrease in trade and other receivables	(4,128)	133,871
(Decrease) in trade and other payables	<u>(11,802)</u>	<u>(202,198)</u>
Cash generated from operations	<u>(28,367)</u>	<u>(5,147)</u>

2 CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts

Period ended 30 June 2015

	30 6 15 £	1 1 14 £
Cash and cash equivalents	<u>6,676</u>	<u>49,730</u>

Year ended 31 December 2013

	31 12 13 £	1 1 13 £
Cash and cash equivalents	<u>49,730</u>	<u>37,945</u>

Notes to the Financial Statements
for the Period 1 January 2014 to 30 June 2015

1 GENERAL INFORMATION

React & Recover Medical Group Limited is a company incorporated and domiciled in the United Kingdom

2 ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

Revenue recognition

Revenue is measured at the fair value of the consideration received and represents amounts receivable for services provided in the ordinary course of business, net of discounts and sales taxes.

The company provides management services. Income is recognised on delivery of service. Income can be reliably estimated based on agreed charges with customers or instructing parties. Where services are delivered by external parties costs can be reliably estimated based on contractual charges agreed with those suppliers.

Taxation including deferred tax

The tax expense represents the sum of current tax and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised in equity in which case it is recognised in equity. The current tax is based on taxable profit for the year calculated using tax rates that have been enacted by the Statement of Financial Position date.

Deferred tax is provided using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. In principle deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets or liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Operating profit

Operating profit is profit stated before finance income, finance expense and tax.

Trade receivables

Trade receivables are held at amortised cost less any impairment provisions and this equates to their recoverable value. Amounts set aside for settlement adjustments, are based on historical experience. The resulting settlement adjustments are recognised within revenue as they relate to revisions of income estimates, not collapsibility (credit risk). Movements in the impairment provision relating to credit risk are recognised within administrative expenses as bad debt expenses.

Notes to the Financial Statements - continued
for the Period 1 January 2014 to 30 June 2015

2 ACCOUNTING POLICIES - continued

Trade payables

Trade payables do not carry any interest and are stated at their fair value

Cash and cash equivalents

Cash in the Statement of Financial Position comprises cash at banks and in hand. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the company's accounting policies, management has made a number of judgements, and the preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the Statement of Financial Position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Going Concern

The financial statements have been prepared using the going concern assumption which contemplates the realisation of assets and the settlement of liabilities in the ordinary course of business. The Company is a member of the Slater & Gordon group of companies (the "Group").

As at 31 December 2015, The Group has net assets of \$375.0m, which have decreased since 30 June 2015 primarily due to a non-cash impairment charge of \$876.4m and the adoption of AASB 15. The Group has net current assets of \$509.4m. The Group has drawings of AU \$783.0m under its syndicated debt facility, against limits of AU \$850.3m at 31 December 2015. The Group had cash on hand of AU \$51.9m and other borrowings of AU \$10.3m, resulting in net debt (drawn facilities less cash and cash equivalents) of AU \$741.4m and available liquidity of AU \$119.2m. The Group's net debt position has increased since 30 June 2015 by AU \$118.0m, reflecting underlying cash requirements in the business.

Since 1 July 2015, the Group has obtained various amendments from its banking syndicate ("lenders") to the Slater Gordon Syndicated Facility Agreement ("SFA"). As at 31 December 2015 and at the date of the half year financial report, the Group remains in compliance with all of its undertakings under the SFA.

The Group has agreed to present to the lenders and their financial advisors proposals which may include amendments to the current SFA. In the event that amendments are required by the lenders and if are not implemented by 30 April 2016, repayment dates for the SFA may be brought forward to a date no earlier than 31 March 2017.

The Directors of the ultimate parent company are of the view that the Group will comply with the above obligations. The Group has further initiated a comprehensive review including an assessment of revised financial forecasts, and the implementation of performance improvement programmes with the aim of improving the profitability of the business and reducing the level of drawn debt.

The Directors, having given consideration to the current financial forecasts of the Group, the engagement with the banking syndicate and its financial advisers, the comprehensive review, and the performance improvement programmes being implemented by management, and having received confirmation that the Company will continue to access financial support from the Group via Slater & Gordon (UK) 1 Limited which has provided a letter of support to the Company, consider the going concern basis of preparation is appropriate.

Notes to the Financial Statements - continued
for the Period 1 January 2014 to 30 June 2015

3 EMPLOYEES AND STAFF COSTS

There were no employees during the year apart from the directors. The costs of the directors were borne by the other group companies.

4 (LOSS)/PROFIT BEFORE INCOME TAX

The loss before income tax (2013 - profit before income tax) is stated after charging/(crediting)

	Period 1 1 14 to 30 6 15	Year Ended 31 12 13
	£	£
(Profit) on disposal of tangible fixed assets	<u>-</u>	<u>(2,357)</u>

5 INCOME TAX

Analysis of tax (income)/expense

	Period 1.1.14 to 30.6.15	Year Ended 31 12 13
	£	£
Current tax		
Tax	(1,933)	14,687
Deferred tax	<u>-</u>	<u>-</u>
Total tax (income)/expense in statement of profit or loss	<u>(1,933)</u>	<u>14,687</u>

Factors affecting the tax expense

The tax assessed for the period is higher (2013 - lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	Period 1.1.14 to 30.6.15	Year Ended 31 12 13
	£	£
(Loss)/profit on ordinary activities before income tax	<u>(12,437)</u>	<u>65,537</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21.2% (2013 - 23%)	(2,637)	15,074
Effects of		
Indexation allowance	-	(542)
Group relief	874	-
Benefit of PYA taken in subsequent year with lower tax rate	(170)	-
Change in tax rate	<u>-</u>	<u>155</u>
Tax (income)/expense	<u>(1,933)</u>	<u>14,687</u>

Factors affecting future tax charges

In the Budget on 8 July 2015, the Chancellor announced reductions in the corporation tax rate from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020. These rates were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly.

Notes to the Financial Statements - continued
for the Period 1 January 2014 to 30 June 2015

6 DIVIDENDS

	Period 1 1 14 to 30.6.15 £	Year Ended 31 12 13 £
Ordinary shares of £1 each		
Interim	<u>-</u>	<u>64,500</u>

7 PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings £
COST	
At 1 January 2014 and 30 June 2015	<u>46,572</u>
NET BOOK VALUE	
At 30 June 2015	<u>46,572</u>
At 31 December 2013	<u>46,572</u>

8 INVESTMENTS

Holdings of 20% or more

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

Company	Country of registration or incorporation	Nature Of business	Shares held class	Proportion of shares held
React Medical Management Limited	UK	Medical reporting	Ordinary	100%
React Medical Reporting Limited	UK	Medical reporting Rehabilitation	Ordinary	100%
Recover Healthcare Limited	UK	Services	Ordinary	100%
Medicalaw Limited	UK	Medico-legal services	Ordinary	100%

Notes to the Financial Statements - continued
for the Period 1 January 2014 to 30 June 2015

9 TRADE AND OTHER RECEIVABLES

	2015	2013
	£	£
Current		
Amounts owed by group undertakings	47,297	61,080
Other receivables	18,730	-
Prepayments and accrued income	<u>-</u>	<u>820</u>
	<u><u>66,027</u></u>	<u><u>61,900</u></u>

The director considers that the net carrying amount of Trade receivables approximates to their fair value

10 CASH AND CASH EQUIVALENTS

	2015	2013
	£	£
Cash and cash equivalents	<u><u>6,676</u></u>	<u><u>49,730</u></u>

Cash and cash equivalents comprise cash held by the company The carrying amount of these assets approximates to their fair value

11 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid			2015	2013
Number	Class	Nominal value	£	£
200	Ordinary	£1	200	200
1	B Shares	£1	<u>1</u>	<u>1</u>
			<u><u>201</u></u>	<u><u>201</u></u>

12 RESERVES

	Retained earnings
	£
At 1 January 2014	67,999
Deficit for the period	<u>(10,504)</u>
At 30 June 2015	<u><u>57,495</u></u>

Notes to the Financial Statements - continued
for the Period 1 January 2014 to 30 June 2015

13 TRADE AND OTHER PAYABLES

	2015	2013
	£	£
Current		
Trade payables	973	6,747
Amounts owed to group undertakings	61,443	61,443
Payroll and other taxes including social security	-	6,326
Accruals	-	1,000
Other liabilities	<u>1,397</u>	<u>99</u>
	<u>63,813</u>	<u>75,615</u>

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The director considers that the amount of trade payables approximates to their fair value.

14 DEFERRED TAX

	2015	2013
	£	£
Movement in provision	<u>-</u>	<u>-</u>
Balance at 30 June	<u><u>-</u></u>	<u><u>-</u></u>

15 ULTIMATE PARENT COMPANY

The ultimate parent company of the Company is Slater and Gordon Limited, a company incorporated in Australia. Copies of the consolidated accounts of Slater and Gordon Limited can be obtained from 485 La Trobe Street, Melbourne, Victoria, Australia, 3000.

16 CONTINGENT LIABILITIES

The Company is party to a £420,000,000 syndicated facility agreement dated 29 May 2015 pursuant to which its ultimate parent company, Slater and Gordon Limited, is a borrower (the "Facility Agreement"). Pursuant to the terms of the Facility Agreement, the Company has given a cross-guarantee (along with other Group Companies) in relation to all liabilities outstanding under the Facility Agreement in favour of the Finance Parties (as defined under the Facility Agreement). The Company is also party to a debenture dated 29 May 2015 (the "Debenture") pursuant to which the Company (together with other Group Companies) covenants with Westpac Banking Association (acting as Security Trustee for itself and the Secured Parties (as defined in the Debenture)) that it will on demand pay all liabilities outstanding under the Facility Agreement (and associated finance documents) when they are due and payable and grants security over all of its assets in favour of Westpac Banking Association (acting as Security Trustee for itself and the Secured Parties).

Notes to the Financial Statements - continued
for the Period 1 January 2014 to 30 June 2015

17 FINANCIAL INSTRUMENTS

The company's financial instruments comprise borrowings, cash and liquid resources and various items such as trade debtors and trade creditors that arise from its operations. The company does not use derivatives. The main purpose of these financial instruments is to manage the company's operations. It is, and has been throughout the period under review, the policy of the company that no trading in financial instruments shall be undertaken.

Credit risk

The company is not subject to significant consideration of credit risk with exposure spread across many companies. Policies are maintained to ensure that the company enters into sales contracts that are tailored to the customer's respective credit risk. The credit quality of the company's trade receivables is considered by management to be good, as evidenced by the low rates of impairment provided and amounts written off.

No interest is charged on the receivable balances. The company does not hold any collateral or other credit enhancements over these balances nor has the legal right of offset with any amounts owed by the company to the receivables counterparty.

The carrying amount of financial assets represents the maximum credit exposure. At the reporting date the principle assets were:

	Note	30.6.15 £	31.12.13 £
Non-current assets			
Property	7	46,572	46,572
Subsidiaries	8	300	300
Loans and receivables			
Amounts due from group companies	9	47,298	61,080
Other receivables	9	18,730	-
Cash and cash equivalents	10	<u>6,676</u>	<u>49,730</u>
		<u>72,704</u>	<u>157,682</u>

The receivables are all based in the UK and denominated in sterling.